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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

EDMONTON, ALBERTA

25  
November 22, 1955

Volume 10-13







- 1962

Tuesday, November 22, 1955.

---The commission resumed  
at 10:00 a.m.

Appearances:

Mr. R. G. Robertson, commissioner;  
Mr. Charles H. Herbert, economic adviser;  
for the Northwest Territories  
Council;

Mayor G.A. Allen;  
Mr. P.N. Pitcher, general manager,  
Great Yellowknife Gold Mines Ltd;  
Mr. E.J. Colthorpe, Consolidated  
Mining & Smelting Co. Ltd.;  
Mr. John Parker, counsel;  
for the Municipal district of  
Yellowknife and the Yellowknife  
Board of Trade.  
Mr. F.H. Collins, commissioner;  
Mr. Charles H. Herbert, economic adviser;  
for the Yukon Council.  
Mr. C.E. White, general manager;  
for United Keno Hill Mines.  
Mr. Harold Hine, advocate and director;  
for the Whitehorse Board of Trade.  
Mr. Roy Marler, president;  
for the Alberta Federation of  
Agriculture.





THE CHAIRMAN: Shall we come to order? The first item this morning is the submission of the Northwest Territories Council, to be presented by Mr. R. G. Robertson, the commissioner, which we will mark as Exhibit 50. Will you just start right in?

MR. ROBERTSON: Mr. Chairman and gentlemen, it is a great pleasure on behalf of the administration of the Northwest Territories to be able to present this brief to the royal commission; the more so because we who are concerned with the Northwest Territories feel that until the very recent past the people of Canada have for the most part forgotten all about the part of this country north of 60 degrees. The people of Canada have been unaware of the character of the part of the country north of the 60th parallel. They have been unaware of its prospects and possibilities, and they have been almost unaware of its existence.

Canada acquired this area in 1868 to 1870 by the purchase of Rupert's Land and the transfer of what was then called the Northwest Territory. A good deal was done in the next 50 or 60 years to develop the southern part of it right along the United States border, but apart from that portion which is immediately adjacent to the United States it would be almost true to say that for





70 years nothing was done about the enormous tracts acquired in 1868 to 1870.

It was only after the second world war that Canada began to have any genuine awareness of the part of the country north of 60 degrees; and it is only since the second world war that the people of Canada have taken any genuine interest in this country. To our way of thinking, if this royal commission can do anything to encourage and stimulate the interest of the people of Canada in the Northwest Territories, in its possibilities, in awareness of its character, that alone will be an enormous service.

In the brief which has been submitted we have attempted to set forth something of the general background in the Northwest Territories; the natural resources; the geology and the fundamental characteristics. We have also tried to outline at some length what are the possibilities along certain lines of development. Agriculture, forestry and fishing have been mentioned. The possibilities in respect of these I think are considerably greater than most people in Canada are aware.

The great possibility in the Northwest Territories, however; the real prospect for future development is in minerals, both metallic minerals and minerals of the type of petroleum and natural gas. It seems clear





beyond any question at all that the potentialities in this respect are enormous.

The known prospects, the known good possibilities of development, are quite numerous. There are certain of them that are being worked at the present time; uranium at Great Bear lake; gold around Great Slave lake; zinc and lead at Pine Point are known to be available for development; uranium in the Marion river area; nickel at Rankin Inlet and Ferguson lake; iron in the Belcher islands and Kasba lake north of the Manitoba - Saskatchewan boundary.

These are the known prospects, the known possibilities; but the point we have sought to emphasize in the brief is that the possibilities of the Northwest Territories in respect of mineral development should not be measured by the known prospects, because the actual prospecting and exploration that has been undertaken thus far is trifling in comparison with the enormous area. The real possibilities of this part of the north should not be judged by what is known, but by the geology of the area; and in geological terms the outlook is certainly enormously encouraging.

In that respect I would refer the members of the commission particularly to the appendix in the brief that has been submitted by the geological survey, which





develops a certain amount of this, and also to the relevant pages of the brief itself. The brief sets forth in its own fashion what are the possibilities.

Given those possibilities, the question now of course is what can be done to bring those possibilities into realization. Thus far, as everyone knows, virtually nothing has been done apart from the two or three instances I have referred to.

I think in considering the possibilities of the Northwest Territories most people would probably assume that the greatest single problem is the climate. That is not so. The climate is simply a cost factor; and as a cost factor in relation to mineral prospects it is infinitely less important than transportation.

The brief deals at some length with the climate, and there are a few tables on it. Basically I think it can be said that it does not interfere with the fishery possibilities. Where there is agricultural land it will limit the types of growth that are possible, but it is not a real limiting factor. In respect to forestry, where the forest resources lie it is not a significant factor. In respect of mining, as I have said, it is an important cost factor, but it is a much less important cost factor than transportation.





The greatest single problem that has to be met in connection with the development of the Northwest Territories is purely and simply transportation. The costs that transportation imposes because of distance, and also because the unit costs are very high, are enormous. They appear in almost every sphere of life in the Northwest Territories; in individual living costs; in the costs of operation of the mines; in the necessity of maintaining large inventories because of remoteness, and because of the seasonal character of transportation and other factors of that kind.

There is no possible doubt but that if the costs of transportation could be reduced significantly, a good many things that are now outside the economic margin would move inside the economic margin. A good many things which are not now capable of economic development would become capable of such development, and as each new development came to fruition this would reduce the unit costs. What is needed is some significant measure to start this process of reduction in transportation costs.

The brief has gone into the possibilities that we think are of major importance in bringing down transportation costs. To our way of thinking the most





important significant thing that could be done would be to construct a railway from Grimshaw to the southern shore of Great Slave lake. The information we have been able to gather together on this railway, as to its economics and the considerations relating to it, appear at pages 24 to 30 of the printed brief. I do not intend to go into those details at the present time; I have no doubt that the members of the commission have read that part of the brief. I shall be very glad to try to deal with any questions which may come up in connection with it.

I think it is sufficient to say that the railway is not in any sense a visionary project. The railway is a project that even in cost terms is very close, in the foreseeable traffic, to being within the realm of economic feasibility; but there are considerations that go far beyond that in connection with this railway. As I have said, it is not a costly project in relation to the capacity of this country at the present time, or in relation to the developments it would make possible. Nor is it a railway that is in any sense comparable to the railways that have been built from time to time in the past few years to open up a small area or to bring a single mine into development.

A railway to Great Slave lake





is a project that would be entirely in the tradition of the transcontinental railway lines. It would not be to open a single area or a single project. It would be a railway that would open and develop over half a million square miles in the Northwest Territories. In other words it would be the economic catalyst that would make possible the realization of the possibilities of this entire area.

The transcontinental railway lines were seen as projects of national significance, and they were handled as national projects. To our way of thinking the railway to Great Slave lake is in precisely the same category. The only difference is that in actual cost it would be infinitely less less. The relative cost as compared to the national possibilities would be but a trifle. We are convinced, as I say, that this railway would be more than in order even for only one purpose, to bring into development the mineral resources and the other resources that lie in the Mackenzie district in the Northwest Territories.

The second thing we have mentioned as likely to contribute a great deal to bringing down costs of transportation and bringing about development is the construction of development roads. We do not see the prospect in the foreseeable future of the railway being carried beyond Great Slave lake. There does





not appear to be anything that would justify it going beyond the lake in the period of time which this royal commission is taking under consideration. What we think is that beyond the lake and into other areas from Great Slave lake there should be a great many more development roads constructed.

At the present time there are virtually no roads in the Northwest Territories. The Mackenzie highway runs from Grimshaw to Hay river. What is required are roads running from the present systems, or from the end of the transportation lines, into areas that have good promise of future development.

It is submitted that these roads should be built by the federal government. This submission is made for two reasons. The first is that the resources of the Northwest Territories are in the title of the crown in the right of Canada. The situation is the same as it was in the prairie provinces up until 1930.

We consider that this is a proper suggestion, because the Northwest Territories simply does not have the economic ability at the present time to take measures necessary for the development of these resources. Since they are in the title of the federal government, and since the federal government is the only authority that can take measures for their development, we feel that these roads ought to



be built by the federal government.

The second reason for this submission is that as a simple matter of fact the construction of these roads is infinitely beyond the resources of the Northwest Territories. The revenues could not support the construction of even one or two of these roads. If they are to be built at all, they must be built by the federal government.

At pages 31 to 32 the printed brief contains an outline of the roads which we think it would be most desirable to build in the immediate future. These are also set forth graphically in a map which appears in the centre of the brief, indicating the roads, the railway I have referred to, and several changes in communication lines that we foresee as desirable within the period of time this royal commission has under consideration. We also try to suggest in symbolic fashion the possibilities of resource development that we can foresee as the result of these improvements in transportation.

This has been thus far simply an attempt to touch upon the highlights of the brief, rather than to summarize what it says. In considering the weight of the representations that have been made, I have no doubt that one of the first questions that will be in the minds of the royal commission is why





anything should be done about developing the north. Why should we take any measures? Why should we not wait until the forces of economics bring costs and prices into line, and let developments take place by themselves?

These questions have been dealt with briefly in the brief itself. There are a number of considerations in that connection that have been mentioned. I would like, however, to say just a bit more at this time about the arguments that we think have relevance in connection with the development of the north.

The arguments in favour of development fall into a number of categories. I might first refer to the economic arguments.

The argument that it is economically important to develop the Canadian north hangs on the belief that the world demand for raw materials of all types -- and particularly for minerals -- shows every sign of increasing at a pace far in excess of the development of sources of supply. This view has been put forward in books and reports and speeches by a large number of individuals and groups in the ten years since the end of the war. It has been expounded, among others, by eminent Canadians. It commanded little public attention, however, until the publication of the Paley report in 1952. This report added little new in general terms, but it gave most useful specific estimates





of the increase in the United States and world demand for key materials which might take place between 1950 and 1975.

The increase in the demand for materials stems from the rapid increase which is taking place simultaneously in the world population and also in the per capita demand for raw materials. The population of the world appears to be growing at the rate of about 30,000,000 a year. The rate of growth is likely to rise steadily for many years to come, for the increase and spread of medical knowledge throughout the world and the extension of medical services to the underdeveloped countries will diminish the death rate. The time may eventually come when the rise in the standard of living in the underdeveloped countries will bring about a decrease in the birth rate in these areas, but that appears to be many decades away.

Several factors are contriving to increase the per capita demand for a wide range of raw materials. One is the rapid technological advances which are continually finding new and intriguing uses for many materials. This stimulates, among other things, the development of all manner of gadgets for which, in our way of life, there seems to be an insatiable demand. Another factor is the steps which are being taken by such measures as the



Colombo plan, the technical assistance programme of the United Nations, and the point IV programme of the United States to raise the standard of living in the underdeveloped countries. As these measures meet with success the demand for raw materials will rise by leaps and bounds. For example, the available figures indicate that in 1954 the per capita consumption of zinc in the United States was 11.0 pounds and in the rest of the world was 1.4 pounds. Similarly, the per capita consumption of lead in the United States was 9.4 pounds and in the rest of the world was 1.2 pounds. A roughly similar disparity exists in almost all other raw materials. Therefore the underdeveloped countries have to move only a very small part of the way toward the consumption standards of the United States to cause a tremendous increase in demand.

The following table shows the estimates of the Paley commission as to the increase in demand for certain minerals that will take place between 1950 and 1970-80 in the United States and (where figures are given) in the rest of the free world.





INCREASE IN DEMAND, 1950 to 1970-80

	<u>United States</u>	<u>Other Free World</u>
	%	%
Zinc	39	61
Lead	53	--
Copper	43	54
Iron ore	54	73
Nickel	100	100
Tungsten	150	150
Aluminum	291	415
Magnesium	1,845	--
Cobalt	344	--
Titanium & cadmium	324	--

The Paley report points out that few of these specific estimates will prove accurate; changing conditions -- particularly technological developments -- will produce a greater increase in demand for certain materials and a lesser increase for others. Further, the general rate of growth may be either faster or slower than the commission predicted. The report emphasizes, however, that the important factor is not whether a certain forecast proves too high or too low but that there is certain to be, during the 25-year period from 1950, a substantial increase in demand in almost every type of raw material.





I assume that the royal commission on Canada's economic prospects will consider that one of its functions is to reassess the findings of other authorities in this matter, and particularly, to determine what proportion of the increase in demand for raw materials Canada is likely to be called upon to supply. The answers to these questions will largely determine the importance of developing the Canadian north.

If I may presume to express my view, it is that the forecasts of the Paley commission are more likely to prove to be too low than too high. If we are granted a relatively peaceful climate for the next couple of decades, and if the western world continues its efforts to raise the standards of the underdeveloped countries, it seems quite probable that in 10 or 15 years time the demand for raw materials by the rest of the world outside the United States will have risen by an amount that today seems fantastic. If we are not granted a relatively peaceful climate, then the demand for these materials by the United States and other western countries will be tremendous for military or semi-military purposes.

It is true that a depression might for a time slow up, or even halt, the increase in demand; but in terms of political realities, I do not see how such an event could



be more than a relatively brief interruption in the general upward trend. To my way of thinking, the only event which can prevent this rapid increase in demand for all types of materials is, the obliteration of the civilized world by the hydrogen bomb.

It has been agreed, of course, that substantial quantities of minerals may be found in less remote areas than northern Canada. It is true that newly developed methods of prospecting, and also the more intensive use of conventional methods, have recently resulted in important mineral discoveries in regions very close to established transportation systems which were thought to have been thoroughly prospected already. Examples of such discoveries resulting from new methods of prospecting are Marmora and Bathurst, and an example resulting from more intensive prospecting, or a closer consideration of results, is Manitouwadge. Even so, these examples by no means prove that our northern areas will not be required. Much more, very much more, will have to be found before we can afford to be casual about the north.

A somewhat related argument is that mineral exploration in Canada should be conducted in an orderly, northward advance, and that leap-frogging should be avoided. In other words, no special measures to stimulate mineral exploration and development in the Yukon and the Northwest





Territories should be undertaken as long as there are substantial northern areas in the province which remain undeveloped. This line of argument looks neat on paper, and it might be valid if we had some assurance that the pre-Cambrian shield and the Cordilleras are relatively evenly mineralized throughout their length and breadth. Unfortunately that is not the case, and we have little or no idea at what precise spot we will find the large, high-grade deposits of easily treated ores which we will need. The fact that Pine Point, given a railroad, may be one of the lowest cost producers of zinc and lead in the world is a good example of the fact that we may well have to look to the north for our best mineral finds.

The Northwest Territories brief points out that exploration will be discouraged by the lack of transportation facilities. It also points out that between five and ten years often elapse between the discovery of a promising prospect and the achievement of full production. Putting these two facts together with the further fact that there is no assurance that we will be able to find sufficient low-cost supplies to meet our expected demands 10 or 15 years hence without calling on the resources of the north, it follows that any failure to encourage the exploration of northern resources will incur the risk of shortages in the future.





These shortages would cause price rises until additional supplies were discovered and developed. They might well encourage the development of foreign sources of supplies which would be higher cost than those which would have been available if development in northern Canada had been encouraged in adequate time, and these higher cost foreign sources would in all probability seek tariff protection from their own governments. If this protection were granted it could well frustrate the potential development of Canada's resources, in addition to putting a permanent and harmful rigidity into the price structure.

Even although it seems very clear that the mineral resources of the north will be required in large volume in 10 or 15 years, it is still reasonable to inquire whether the provision of steps to stimulate the development of these resources would involve the government in heavy expenditures on which there might well be little return for many years.

Very fortunately it appears that that would not be the case. My brief to the royal commission points out that the principal expenditure which is required to stimulate the development of the Mackenzie district is the construction of a railway to Great Slave lake. It also shows that the general benefit from the potential mine at Pine Point, which we are



informed will come into production if this railroad is built, will more than cover the cost of this railway by a considerable amount. The Consolidated Mining and Smelting Company of Canada have told us that, at present metal prices and tax rates, the increased income taxes and mining royalties paid by that company and by Pine Point Mines Limited as the result of a production at Pine Point of 450 tons of concentrates a day, would be considerably more than the cost of constructing the railroad, amortized over 50 years. This, furthermore, covers only the direct tax revenues resulting directly from the mine, in the form of sales taxes and possibly customs duties on supplies purchased. In addition, there would be both direct and indirect tax revenue resulting indirectly from the mine, such as personal income taxes paid by employees of the mine, personal and corporate income taxes paid by stores and other businesses which might spring up at Pine Point, sales taxes and possibly customs duties on goods used by stores and individuals in the settlement of Pine Point, sales taxes and customs duties on goods used for the construction of the railroad, corporation and personal income taxes paid by those concerned in the construction of the railroad, and many other sources. It is impossible to estimate what these various types of tax revenue would amount





to, but the total receipts to the federal treasury would appear to be greatly in excess of the expenditures that would be required for the railway.

One further point might be mentioned. It is sometimes pointed out that zinc was one of the metals for which the Paley commission indicated a smaller increase in demand than most others. On top of this, substantial zinc discoveries seem to have been quite frequent in the past four or five years. Therefore, it is argued, the likelihood of requiring additional zinc supplies 10 or 15 years hence is less than for many other metals.

This is doubtless the case, but it is by no means discouraging as far as the Northwest Territories is concerned. It is true that zinc is the dominating metal at Pine Point, but all our indications are that Pine Point, given a railway, will be one of the lowest cost mines in the world. Therefore, there is no reason at the present time to worry too much about possible competition with this mine. As far as the rest of the Mackenzie district is concerned, zinc is not of dominating importance. The presence of a wide range of other minerals has already been indicated, including lead, copper, nickel, iron, tungsten, columbium and other rare metals, radium, uranium, lithium, petroleum, natural gas and coal. In fact, it



can be said that there is no reason why almost any kind of mineral should not be found except those which are produced by surface action under tropical conditions, such as bauxite. The development of the Mackenzie district, therefore, is an extremely good bet to take care of future mineral demands whatever the direction may be in which technological advances lead us.

I submit that the foregoing arguments suggest that, if there is any real possibility that the resources of the Mackenzie district will be required to meet world demand within the next 10 or 15 years, a railway to Great Slave lake should be considered most seriously, for there appears to be nothing to be lost in building it. The single circumstance under which it would seem sound policy to decline to construct the railway would be if this royal commission were to come to the conclusion that there is no possibility that the resources of the north will be required within the next two decades.

Now, gentlemen, those are the economic considerations that we think apply in relation to the development of the north. There are other considerations. There are defence considerations. I do not know to what extent the commission can properly take those into account, but those considerations are of two kinds. The first is the consideration of the





increase in economic strength of this country by the development of precisely the kind of resources that are most likely to be needed in the event that the world climate turns down instead of up. The other is the point that is referred to briefly in the brief that has been submitted; that is, the direct importance of the Mackenzie river route for the northern defence services, a matter that was demonstrated last year in the construction of the distant early warning line.

The Mackenzie route is the only protected way to the Arctic. The Mackenzie route is quite inadequate as it stands. The thing that will do the most to make it an adequate route for defence purposes is the construction of the railway to Great Slave lake.

The third consideration that makes development of the Northwest Territories important in the next few years is the social situation in the north. This has been referred to in the brief. In general it can be said that the native population in the north is increasing. The wild life possibilities in the north are decreasing. There is a progressively more serious social situation in the north. There is no possibility that the largest part, let alone the whole, of these people can be adequately supported in the way of life to which they have been accustomed



over past years. All that can be done is to provide alternative means of income; and alternative means of income can only be derived from economic development.

The longer these possibilities of employment are deferred, the worse the social situation will become. At the present time we have a condition which will be in part one of adjusting a native people to a new way of life. In part it will be a problem of salvaging a few of those people who have come to rely upon relief. The longer the delay, the greater will be the problem of salvaging them; and it will become progressively worse as time passes.

A fourth consideration, and I submit one of real importance in relation to the north, is simply the general consideration of national policy. We do not know at this time what are the economic possibilities of development in the north, and we will not know what they are unless conditions are created under which there is a reasonable possibility that prospects discovered in the course of exploration can come into economic development. So if we do not create the conditions that will enable exploration and prospecting to go on, we simply will not be placed in a position to know just what are the developments that can be expected in the northern half of this





country.

It seems to me that it cannot possibly be sound policy for the nation to refuse to take the measures that would enable it to test and perhaps to learn the developments of which the Northwest Territories are capable.

There is another consideration in relation to national policy. The consideration I have mentioned is one that perhaps could be regarded as a consideration of national self interest. But there is a consideration in a private context. At the present time there is quite a conflict of ideologies in the world. Canada stands politically as the exponent of democracy. It stands economically as the exponent of private enterprise. I submit there will be a good deal of attention paid to what this country can do and does do as the exponent of political democracy and economic private enterprise with regard to half a continent. If we do nothing with regard to its development; if we do nothing with regard to a worsening social situation, I submit that we will have in part betrayed the political and economic principles for which we stand.

In recent years and at the present time the U.S.S.R. is doing a great deal about the development of the northern part of its area. It is also doing a great deal about the social adjustment and the social



development of the native peoples in Siberia and the northern parts of the U.S.S.R. I submit that in the world as we have it today, or in the world as it is likely to develop in the next few years, this country cannot afford to stand idly by and say that under our system we can do nothing about a worsening situation socially; we can do nothing but remain economically undeveloped because of the principles for which we stand. I do not think those principles require us to take that position.

Gentlemen, if there are any questions about the brief I would be very glad to try to deal with them. Thank you.

THE CHAIRMAN: Thank you, Mr. Robertson. Suppose we start off with the various reasons why you think the railway to Pine Point should be built.

You were good enough to let us have copies of your brief a couple of weeks ago, and it seemed to me that the arguments in favour of the railway contained, among others, one rather important premise, that the railway to Pine Point would stimulate the exploration for minerals, quite apart from the development of mines.

Another point was made, that it would open up new farming lands with a potential of 30 million bushels of wheat, an argument which perhaps will be stronger at some other





time than now. I think perhaps that is one of the arguments we might leave in abeyance at the moment.

You further suggest that it would reduce the costs of transportation to the fishing industry on Great Slave lake. That again, it seems to me, is not a main argument, because as important as that industry is in the area, you would not build a railroad for that industry alone. You would build it down in Newfoundland, would you not, Dr. Gushue.

MR. GUSHUE: Well, of course.

THE CHAIRMAN: You also suggest that there are certain considerations from the defence angle. I do not know about my fellow commissioners, but I do not think it is wise for me to become an amateur strategist. I would sooner get those defence arguments from the defence people; and if we were getting that defence argument from the defence people, I would be inclined to ask them what great advantages the railroad would have from a strictly defence standpoint, over the highway. If there is a valid argument, strictly for defence considerations, for having a railway rather than a highway, then perhaps we should have the railway up to Whitehorse. Perhaps Mr. Collins is going to suggest that; I don't know.

A very important argument is the submission that it would mean the earlier



development of the Pine Point mine, and another point was that it would improve social conditions in the Northwest Territories. You made a number of other points, Mr. Robertson, but those were at least some of them.

As you can imagine, in our travels across the country we have had quite a considerable number of proposals put to us, with considerably more vehemence than you have used this morning, but put to us fairly strongly nonetheless, that there are projects which are vitally necessary for the development of various parts of this country, which should be undertaken by the federal government immediately.

Personally I think probably they are all good, and I found it encouraging that there are so many things that so many people in this country feel are needed. We certainly have not obtained the impression that Canada has come to the point of having no further ways and means of expanding. There are all sorts of suggestions being made; but I think anybody would agree that if those developments are to take place there must be some kind of order of priority. I do not mean that we should do one thing and then wait for five years before doing another, but that presumably some of these undertakings should have priority over others, and I would not like to go further than that.

So I would like to ask some





questions about the two main arguments that revolve around the development of the mining industry, because as you said in your brief the main economic prospect in the northwest is mining.

First of all on exploration, we have been told in other places that the first thing which is required to stimulate exploration is pretty complete mapping and geological surveys of the areas that have not been completely mapped so far. We have been lead to believe at one stage, when somebody else was recommending the building of a railway, that it was extremely important -- it may have been Mr. Herbert; I am not sure -- because it was a method of removing the overburden and thereby exposing the rock formations, which made it possible for surveyors to come along and decide whether there were minerals underneath. They argued that this was why mines are found in the vicinity of railways; in fact they argued that it was the main reason, and it was suggested to us that it was a fairly expensive method of exploration.

I am not suggesting that that is your objective; but in developing that we were told that with the new techniques of exploration from the air, which are reasonably good and may get better, on the basis of the geological maps and the exploration that can



be done from the air now, the exploration companies can at least decide whether it would be desirable for them to put parties in on the ground. We got the impression that the use of aircraft for exploration purposes, both in the initial surveying and in getting parties into the areas where more detailed exploration seemed to be desirable, was going to be extremely important.

All I am leading up to is that I do not see where the creation of this railroad in itself would be so vitally important from an exploration standpoint. Certainly I recognize that you have to get supplies into an area, and you have to get people into an area; but presumably you could use the highway.

I am not quite clear about this highway. I gather that the costs of trucking by the highway are so high that people still use the water transport, and I am not clear why the costs of shipment by rail would be so much less than the cost of trucking that this will be the determining factor insofar as getting supplies as far as Pine Point or Hay river are concerned. Is it cheaper to ship by rail than by truck?

MR. ROBERTSON: Given a certain volume of traffic to move over a certain distance, the answer is yes, according to my information.





THE CHAIRMAN: You have the highway now?

MR. ROBERTSON: Yes, we have. We have gone into this matter, and according to the best information we have been able to obtain, when the traffic over that distance would exceed about 75,000 to 100,000 tons a year, the railway becomes definitely cheaper than a highway movement.

THE CHAIRMAN: Sticking to the point I am on at the moment, which is exploration, would it make a sufficient difference?

MR. ROBERTSON: Our point on that is that unless there are the cost-price circumstances that will make the development of a mineral possibility economically sensible, there is no incentive for companies to undertake the expenditures -- and they are substantial -- that are involved in exploration, even airborne exploration.

THE CHAIRMAN: They are doing it.

MR. ROBERTSON: Yes, to some extent, but not to anything like the extent that would be done if there were circumstances which would mean that if they found something good there would be a real likelihood of being able to work it economically.

THE CHAIRMAN: The only thing about that is that conceivably the next really large, important, high grade ore body -- and I will not



even guess the mineral -- might be discovered in northern Manitoba rather than in the Northwest Territories, in which case I think you would discover it first and build the railway to it afterward. I suppose if we had roads and railways all through the north it would stimulate exploration; but in the last analysis, as we have seen in the last few years in connection with uranium, if there is a tremendous demand for some particular mineral, people are going to go out and explore for it, are they not? Is that not a fair statement?

MR. ROBERTSON: I think uranium and gold are special cases; and I believe it is significant that the two cases in which there has been active exploration and active development in the Northwest Territories are uranium and gold. They are both cases where the end product is sufficiently valuable in relation to volume that you can ship it out by air. In no other case is it economically feasible to consider development at the present stage.

THE CHAIRMAN: I want to come to the development of the Pine Point mine, because that seems to me to be the real, basic, fundamental argument for this railroad.

MR. ROBERTSON: No, Mr. Chairman; I would not concede that. I think the Pine Point mine is the factor which very fortunately is present to reduce the economic burden of the





railway at this time; but our argument does not depend fundamentally upon the Pine Point mine. To our way of thinking the importance of this railway is to open up the development possibilities of this entire area. The Pine Point mine will reduce the initial costs and make it possible to construct this railway without an enormous burden even in the initial period, but we do not rest that argument primarily on the Pine Point mine.

THE CHAIRMAN: I realized when I read the brief that you have all sorts of arguments, and I was trying to sort them out.

MR. ROBERTSON: Nor do we base it on the fish of Great Slave lake, nor on agriculture.

THE CHAIRMAN: Well, as everybody knows there is a good deal of exploration going on in all parts of Canada, and I am just getting back to our problem of priorities, not that it is up to this commission to make any kind of recommendations about any specific project that is under consideration. That is not our responsibility. I think probably we have a responsibility to express an opinion about the broad principle of developmental expenditures. If it were possible for us in addition to suggest some formula for arriving at a priority, I think it might be useful.

To get back to the Pine Point development, there would not be any discussion



about the railway at all if the owners of the Pine Point mine felt that the market situation and the other considerations that have a bearing on the timing of the development of that deposit were such that they could start in now and develop the mine and operate it on a very large scale; because you would have the same situation that you have at Knob lake. Somebody built the railroad, and it would not necessarily have to be the federal government in that case.

Naturally we in this commission, in any studies we make pertaining to the mining industry, have to give a great deal of thought to the potential markets, which in the end are going to determine how fast the mining industry in this country develops, whether we like it or not. We have just come from New Brunswick, where very strong representations were made that fairly substantial expenditures be made by the federal government in order to make possible the early development of the lead and zinc deposits around Bathurst. If the market were not sufficient to absorb everything that was produced, presumably the federal government would be in an awkward position, if they wanted to spend money on that sort of thing, in deciding which should come first. They will probably manage not to get themselves in that position.





On this point about exploration we will certainly be seeking advice and information from everybody who appears before us, as to the relative importance of opening up a country by railways and highways in order to stimulate exploration, or whether the exploration to a considerable extent will not take place in any event.

I do not want to pursue this line of discussion. I think you have made it very clear that in your opinion it is most important for the stimulation of exploration in the northwest that this railway be constructed.

MR. ROBERTSON: Yes, Mr. Chairman; and, of course, also for the stimulation of development. There are certain cases where the possibilities are now known to be there, and it is simply a question of economics as to when costs and prices come into the position that will justify development. In connection with that we have mentioned, and I do think it is of some importance, the fact that there is a worsening situation up there on the social side.

THE CHAIRMAN: I appreciate that; but you do not build a railway for that.

MR. ROBERTSON: I agree; but this does have some relevance to the time factor.

MR. GRAUER: On that social point, I think you made the statement that alternative employment is the only solution for the native



population up there. As I understand it, they are rather scattered; but they are a substantial native population. So it would mean, I take it, a substantial shift in population if you are talking about development from south to north. In any case it would mean a substantial shift in employment. You cannot just take an Indian population, I suppose, and put them in mines to work.

I wonder if you could elaborate a bit on those factors; just how you expect, in its actual working out, that the railway and road, if built, would solve the social problem.

MR. ROBERTSON: Mr. Chairman, on Mr. Grauer's question, the first thing I would mention is that we do not mean to suggest that every Indian and Eskimo is going to work in a mine a few years hence.

The facts of the situation are that the Eskimo and Indian and mixed blood population is increasing at a rapid rate, the Eskimo population considerably more rapidly than the Indian population, for reasons we do not quite know.

MR. GRAUER: And the fur is decreasing?

MR. ROBERTSON: Yes. The value of the fur trade in 1953 - 54 was about 31 per cent of what it was in 1937-38, which was a depression year. Fur is almost the sole dollar



producing possibility they have. On top of that the staff of life in a real sense, and perhaps in a monetary sense, is the caribou; and there again, for reasons which we do not know, the situation is getting progressively worse. According to our best estimates the caribou population has dropped in half in the last six years, from over 600 thousand to under 300 thousand.

The point we wished to make was that some alternative means of income has to be found, not for all these people but for a great many of them. The railway, and the measures we have suggested, would do a good deal, we think, with regard to development in the Mackenzie district, where the Indian problem is the main problem, as opposed to the Eskimo. The Eskimo situation really is applicable there only at the delta of the Mackenzie river, and it is in that area that the problem is most urgent.

These people have been in contact with the western way of life the longest. They have been taken away most from their real way of life. They have been upset to the greatest extent, and probably they are the people most urgently in need of some alternative sources of employment; and the measures which have been suggested we think would be helpful. It might mean shifts of population for a matter





of miles, but not for enormous distances.

In addition to the direct mining developments, an increase in population there would make possible the development of the local agriculture. We do not foresee, at least for a good time to come, the possibility of any export of agricultural commodities; but at the present time virtually all foodstuffs are brought into the area. If there were a population growth and if, as the Department of Citizenship and Immigration is now trying, more and more Indians could be gotten to turn to local agriculture, this would provide a second possible means of increased livelihood, which generally ~~is~~ dependent upon the increased development.

MR. GRAUER: Do the Indians take to agriculture?

MR. ROBERTSON: Slowly is perhaps the answer. It does not happen quickly. Mr. Pickersgill did mention in his remarks here yesterday that in northern Alberta they have been successful in getting an increased number of the Indians to adopt agriculture. He mentioned ranching, the raising of cattle and that sort of thing; and there is no reason to assume that this cannot be done, giving time for adjustment, in the Northwest Territories.

Outside the Mackenzie valley one cannot generalize too much about the situation. The degree of contact with our way of life and



the degree to which the economy of the old way of life has been upset, ~~differs~~ in different areas. Perhaps the most seriously upset area is in northern Quebec, as far as Eskimos are concerned, but also along the west side of Hudson Bay and, to a lesser extent, in the northeastern part of the Arctic. There, too, we have to look ahead to an increasing population with at least a static possibility of depending on wild life, and probably a decreasing possibility. So it seems to us there will have to be some types of development that will provide alternative employment.

Government and defence are certainly possibilities. The distant early warning line and other defence arrangements in the north will, we hope, give employment to an increasing number of Eskimos. They have quite a number now. Or mining developments at Rankin, Ferguson lake and other areas in time would do something to help.

MR. GRAUER: In the road and rail programme you outlined you would anticipate considerable employment of Indians, would you, in the construction programme and the mining development?

MR. ROBERTSON: Yes, I would think so. Thus far Indians have not been employed below ground in mines. Employment above ground has met with more failure than success, I think





it would be true to say thus far; but part of the reason for that is that education and background have not prepared people to the extent that is necessary for this kind of thing. But this is the kind of thing that, in our view, has to be done; it is the only solution.

MR. GRAUER: Steps are being taken on the educational side, are they?

MR. ROBERTSON: That is right.

MR. GRAUER: When you were discussing, as another reason, the fact that Canada represented democracy and private enterprise, you made a comparison with Russia. It is well known, of course, that in Russia there is an arbitrary allocation, that is arbitrary from the point of view of the government, of the resources of the nation.

Referring to the remarks the chairman just made about the ~~number~~ of projects we are hearing about across Canada, which obviously would require a substantial amount of capital and labour and material -- I brought this same point up informally in another province, so this is not on the record there; and I was told that what we might very well have to do in order to bring about the furtherance of these big projects of the type you are now mentioning would be to cut back on consumer goods, which in a sense would be to take a



step along the Russian road, and say that we are in a stage of development which requires more of the labour and materials going to capital development and less to consumer goods.

You made the point yourself that Russia is doing these things, and we might suffer by comparison. Would you be prepared to go as far as my friend in another province; because that sort of choice is what one could very well be faced with.

MR. ROBERTSON: Mr. Grauer, in the first place I would not want to be forced to the point of trying to form any judgment on that sort of thing, or to sit in judgment..

I would not think that sort of thing should be necessary. Basically our system depends upon private initiative and on the forces of supply and demand and price and cost to bring about developments. Our basic assumption is that for the long term, this is the best system.

But it seems to me this does not mean and has not meant nationally that we have to sit inertly and do nothing about the cost-price relationship. This country has been built on other assumptions and on other actions, and I think there is a good deal that can be done well within the limits of those assumptions. With a national policy to bring about results, I would think that we



could be just as successful in the north as they have been in the Soviet north. There is no question but that they have been successful there. We know they have; but I think by other measures we can achieve that success without perhaps going to the point you have suggested.

MR. GRAUER: Ordinarily, of course, under the free enterprise system the pricing system as such is supposed to bring forth these developments. For instance, if we are in for a period of very substantial demand for metals, which is a common assumption now, one would have expected that would call forth the various developments as the price-cost relationship of potential developments came into some sort of desirable relationship. But you have mentioned other reasons here why you think in the case of the Mackenzie district and the Northwest Territories we should go ahead a little faster than the ordinary process would indicate.

MR. ROBERTSON: That is correct; but I think even as to the ordinary process, in a good many cases national policy has dictated that for one reason or another there should be emphasis here or emphasis there, or speeding here or speeding there. As I say, this whole country is based on the assumption that you can do that sort of thing.

MR. GRAUER: Providing you are not trying to speed up all over the place at





the same time.

MR. ROBERTSON: No; there have to be decisions. I agree.

MR. STEWART: Mr. Robertson, I think this is in your brief, but if it is not it is in some of the other material which we have before us today. A comparison is drawn between the situation confronting us today and the situation at the time of confederation. This is a most intriguing concept, and I do not think we are going to overlook it.

It seems to me that many of the points you bring out do draw the same kind of parallel. It is the kind of parallel that at that time decisions had to be made with regard to the opening up of the new frontier, which was then the agricultural frontier. Certainly as we have moved west and listened to the representations of the prairie provinces, it seems that there is now another frontier, the northern mineral frontier, that we have to consider.

That does raise the problems which the chairman and others have questioned you about; problems of timing and anticipation and demand for materials; the question of the knowledge of the actual resources we have up there. It also raises the questions which have been posed to you already on priorities, as to how these things will be developed.



There is one point which has been commented upon in connection with the price-cost relation, and it seems to me it is largely a matter of accounting. Here, of course, I have to bow to the chairman's superior wisdom in these matters.

The question I wanted to ask is whether, in approaching these things, there is any way by which we can carefully and perhaps adequately account for the benefits which accrue outside the point of investment? That is coming back to our analogy. In earlier days the other provinces looked to the development of the west as a hinterland which would stimulate their growth; that is, they anticipated that there would be certain benefits accrue to them from those investment expenditures, which had to be underwritten by the government or which required other assistance in order to achieve them. In your own report you refer to the fact that presumably the Northern Alberta Railway would be able to pick up this traffic, and presumably these materials would flow over the other transportation lines as well, so in your accounting of cost-price expenditures and revenues there are gains beyond the point at which the actual investment occurs.

Do we just have to guess about these things? Is it all a big gamble, or is there any possibility you can see of the





kind of accounting which might impress the chairman, taking into account these benefits beyond the actual point of investment?

MR. ROBERTSON: I am neither an accountant nor am I an economist, and I do not expect to be able to impress the chairman by any suggestion I make about this.

I do not know whether it is possible to get anything very hard or very definite in dollar terms as to the sort of indirect, secondary and tertiary benefits that would flow from this sort of development. We have attempted to assess the direct benefits in the increase in the gross national product and that sort of thing, which would flow in the case of the single Pine Point mine development. What the direct benefits would be from other possible developments there -- well, even that, I think, cannot be calculated with any certainty at this stage, because we do not know exactly what developments would come into production or on what scale they would be, at this stage.

I think it is possible to say with certainty that any increase in development would have considerable beneficial effects in the other parts of Canada. The mining equipment and supplies would normally come from the eastern producers of that sort of thing. The supplies and so on are all brought



in from the south, the southern part of Canada. The extent to which development opened up that country would certainly provide a market for the developed areas of Canada, just as in the early days the opening of the west provided a market for the manufacturers of commodities in eastern Canada.

I must confess, however, that I do not know of any means of getting the sort of accounting that you are speaking of. I think probably when the Canadian Pacific or the Canadian Northern or the Grand Trunk were built, they could not have any direct accounting of this sort of thing, so I think all one may know is that there will be benefits. Perhaps you can measure them within certain limits, but beyond that I at least do not know.

THE CHAIRMAN: If Mr. Robertson had been a poor accountant scratching for a living he would have done a better job in suggesting that it could have been done for a fee.

MR. STEWART: I have just one particular question I would like to ask having to do with the rate of exploration, and I think it is a rather important point in a general way.

If we are to make expenditures on development, such as transportation facilities, would it be correct to assume



that this would speed up the process of exploration? Specifically I would like to know whether, in particular areas to which you have reference, if a railroad were built in there could it be counted upon that the firms already in there would speed up their exploration programmes in the adjacent areas?

MR. ROBERTSON: Mr. Chairman, I think the answer to that question is yes.

THE CHAIRMAN: Let us ask them.

MR. ROBERTSON: Some of them are here; that is true. I do not mean that all kinds of mining firms would thereupon send out parties. The ones which are now developing might not; but in general it is our view that the construction of the railway would create a climate that would make it worth while to do a lot of this exploratory work. In the last two years there has been a good deal of exploratory work in the Marion river area, because prospects of uranium appear to be substantial there. Uranium was worth exploring for because if satisfactory prospects could be found it was known that they could be mined, and the product could be sent out on an economic basis. It is not worth while spending a great deal of effort or time prospecting for copper, say, or other things of that kind, at a time when there is not the means of economically developing them. That is our assumption and our view.





MR. GUSHUE: You put an estimate of from \$50 million to \$55 million, I think, on the cost of the railway to Great Slave lake, and in your map No. 2 you show a network of roads. Could you add to that estimate in relation to the roads you have shown?

MR. ROBERTSON: Not in detail. The one road that you will notice is drawn on the map leaves the railway at a point marked Alexandra Falls, which is south of Great Slave lake, and goes northwesterly around Kakisa lake and up to Mills lake, which is an enlargement of the Mackenzie river. We had a survey made of a route for a road there in the course of the past summer, and that road from the railway to Mills lake would be about 116 miles in length. The rough estimates are that that road would cost \$3 million.

The road from Mills lake north and northeasterly to Ray and the Marion river would be through relatively easy country on the whole. I do not know how the costs would work out, but I would think they would be on the same general line as the road I have referred to.

A road leading north again from Marion lake to Great Bear lake would once again be in relatively easy country. This is outside the shield; it is on the edge of the great plains. The cost should not be terribly high in road terms, perhaps something in the vicinity



of \$25 thousand a mile, or something of that kind.

MR. GUSHUE: Could you put a general figure on all this network of roads, or would that be unfair to ask?

MR. ROBERTSON: I would hesitate to do that. The roads that are marked there from Yellowknife eastward and from the Slave river eastward are through quite different country. That is in the Canadian shield. That need not mean enormously high costs of construction, but without a survey of the area it would be a little difficult to know. The cost would be substantial, but it is not suggested that we would have to build roads to the standard of the trans-Canada highway, or anything like that; simply a good gravel road.

MR. GUSHUE: Would you expect fairly substantial migration into the area because of this railroad and the roads and the developments which would come about? Your population at the moment is about 16 thousand?

MR. ROBERTSON: That was the 1951 figure. I understand that the Bureau of Statistics estimates the population now at about 18 thousand. Next year we will have a census. Certainly there would be a considerable increase in population. The Mackenzie district probably is not going to





burgeon as the prairie provinces did, but there is no reason why it could not stand a very substantial increase in population.

THE CHAIRMAN: Well, thank you very much indeed, Mr. Robertson. We are most grateful to you for this brief, and we are particularly grateful that you should have come all this distance to present it, and that so many people should be here to support you.

We will adjourn now for a 10 minute recess, and I think today we will carry on until 12:30 and then break off for lunch until 2:00 o'clock.

---Recess.

---After recess.

THE CHAIRMAN: Shall we come to order? Mayor Allen, will you present the submission of the municipal district of Yellowknife and the Yellowknife Board of Trade, which we will mark as Exhibit 51?

MR. ALLEN: Mr. Chairman and gentlemen, our group have come from Yellowknife to support the written submission made to you sometime ago by the municipal district of Yellowknife and by the Yellowknife Board of Trade.

We are quite aware that you will have studied our submission, and our main purpose in appearing here today is in an effort



to answer any questions or to provide any additional information you might feel inclined to look for.

The principal points of our brief concern transportation, ~~hydroelectric power development~~, and two phases of federal taxation. We do want to add several points to the submission made already, but feel that possibly it might be more advisable if we were to defer that for the moment and get some of your comments first. We might save some time that way.

Our party, Mr. Chairman, consists of Mr. P.N. Pitcher, the general manager of Giant Yellowknife Gold Mines Limited; Mr. E. J. Colthorpe, the superintendent of mines of the north central division, Consolidated Mining and Smelting Company of Canada, and Mr. John Parker, counsel for the municipal district of Yellowknife, and myself.

I would like to point out that there is no doubt in our minds whatsoever as to the great potential of the mineral wealth of the Yellowknife area. In addition to the gold and uranium which have been mentioned frequently here this morning, we look forward to considerable base metal production when a more favourable economic climate has been created. A forward looking government policy could create much new wealth and much employment in quite a large and sparsely settled area.



It is our view that economic development in the southern regions of Canada is not nearly as dependent upon government action as is economic development in the northern part. We must have a bold and aggressive federal policy, with particular reference to transportation, hydro power and federal taxation if there is to be any really substantial progress in the Northwest Territories within the next 25 years. We do have the minerals, but they cannot be counted as wealth until such time as they are brought to market.

We have mentioned transportation, and we are keenly interested in the railway and the roads which have been mentioned this morning. But we are also interested in several other phases, or you might say policies, of present methods of transportation. We are also keenly interested in advancing further suggestions and perhaps theories in the matter of federal taxation.

Now, Mr. Chairman and gentlemen, Mr. Parker has a further comments to add to our submission, though possibly you might prefer to discuss some of the points, or bring in a few questions that arise from our brief.

THE CHAIRMAN: I would suggest that Mr. Parker make whatever remarks or comments he wishes to make, and after that we can ask questions.





MR. PARKER: Mr. Chairman and members of the royal commission, transportation falls perhaps under four main headings: rail, road, air and water. I myself, and our group, think of this railroad as being justified in very large measure by the Pine Point base metal deposit, which is generally regarded as one of the world's greatest undeveloped base metal deposits. Although the ratio of zinc to lead there is somewhat higher, none the less there is very much more lead in the deposit than is commonly found.

The need for lead is going to become very great, and the supplies of lead are going to become increasingly hard to find. Even if we began now on the construction of this railroad, it would be some time before it would be in operation; and it is our belief that before that time arrives there is going to be a severe lead shortage. So we look for an increase in the present lead price, which is already quite high.

These minerals in the Northwest Territories, and all the resources of the Northwest Territories other than game, are the property of the federal government, of the people of Canada. We feel that the federal government has a special responsibility there in the matter of providing transportation and encouraging development. While in New Brunswick



or Quebec, say, the provincial governments can carry on the development of minerals, it is not to be expected that the territorial government can do anything really concrete in that direction in the Northwest Territories, because we do not own the minerals.

Therefore in our view the federal government has a special responsibility, and also in our view the building of a railroad will not create any white elephant. We think the available tonnage will probably be sufficient from the very beginning to take care of operating costs.

That view may not be shared by everyone. These things are difficult to check; but the picture is a very promising one, and one of the questions which has obviously been in the mind of the commission is what else does this railway do other than perhaps bring the Pine Point lead to the market.

At the moment there is a considerable amount of prospecting going on for base metals. That really got under way seriously only last summer, and it is being done in expectation of a railroad. The Preston East Dome Company in the last few weeks has staked approximately 1,500 mineral claims, a tremendous figure, between the north arm of Great Slave lake and the Mackenzie river. That is a property of comparable size to Pine Point. I do not know





what the shape of it is, but it would be an area which would be roughly equivalent to three miles by 30 miles. They are going to carry on an exploration programme on that property, undoubtedly because they believe that the matter of a railroad is simply a question of time, and they do not expect it is going to be too long. Otherwise there is not the slightest sense in their undertaking the work. That job alone, even if it fails completely in the initial stages, will cost \$200 thousand; and the only reason for undertaking it is to see whether the minerals are there, in the expectation of being able to ship them out by railroad if they are there.

In the northern and eastern parts of the Great Slave lake area there are very many copper outcrops, and it seems inevitable that there will be one or more commercial deposits there. You cannot reasonably have as much copper concentrated around the country without having some of it in commercial quantities. But it is an expensive job to explore that. You can go by air, which is really about the only way to do it except if you are moving in very substantial machinery; but it is several hundred dollars just for one trip. People will make these trips; they will go out for the summer and explore this country, if there is going to be a way of



moving the ultimate product to market.

At present a prospector makes a find of some kind, and he has to interest capital in it. As things stand at the moment, capital really has not much right to be interested in base metals in the Northwest Territories, because they are not of economic value unless there is going to be a railway.

As I say, during the past summer a good deal of prospecting for base metals took place, and that was done because, rightly or wrongly, we believe this railroad will be built, and we are confident that it is justified, and we feel that in time it will make money. We also think that from the beginning it will probably pay its operating expenses.

We also need roads as well as railways. You cannot get to Yellowknife except by air. You can get to Hay river and fly from there, but there is no road into Yellowknife. There is no boat that will take you to Yellowknife; no vessel is licensed to take you there. You must go by air.

That is an altogether unsatisfactory state of affairs, and we would like to see a road built from Yellowknife around the west end of the lake, with a ferry over Mackenzie river, connecting us with the Mackenzie highway; and we think of an expenditure of



something between \$2 $\frac{1}{2}$  million and \$4 million for that road. We believe a satisfactory road could be built for that figure.

Let me tell you something of the problems of production there. Right at the moment the gold mines in our area are planning their purchasing for next year, the stuff that is to come in next summer. The chances are that it will not come on until well on into the summer by our present transportation routes, so that we have to plan now and start ordering now for material which cannot be used probably before 1957.

That makes it extremely difficult and extremely costly to carry on an economic operation. As we point out in our submission, the Giant mine has to carry an inventory of about \$2 million for an operation of from 750 to 800 tons a day, whereas Kerr-Addison, with over 4,000 tons, gets by with an inventory of substantially less than \$1 million. As you can imagine, the cost of handling these tremendous inventories, insuring them and heating them in some cases, is very great, whereas if we had a road we could run on a normal three months' supply basis.

The ferry would not be in operation for three weeks in the fall and three weeks in the spring. The rest of the time freight could come around from ~~tailhead~~





or from the Mackenzie highway and reach us quite regularly, which would have a tremendous impact on our area.

We have three gold mines in production, the Giant and the Conn mine, and the Consolidated Discovery mine about 40 to 50 miles north of us; but that is considered to be the greatest undeveloped gold and mineral belt in Canada, and given a more favourable relationship between costs of production and price of gold you can expect substantial activity there, with new mines. The railroad would have an important bearing on that, and a road would have an important bearing on it also, because of lower costs of getting stuff in.

We are not at all happy about the present Canadian air policy. We do not think it is good for the rest of Canada, and we know it is no good for us. Every decision the air transport board has made in recent years seems to have cost us money.

As you are aware, I am not sure whether it was the board or the cabinet turned down the application of Canadian Pacific Airlines for a cross-Canada freight haul. We had been promised by C.P.A. a substantial freight reduction because of greater aircraft utilization if they got the right to haul across Canada. They did not get it, and we



did not get the reduction. Not only that; they took off the two large four-engine aircraft which they had been using on our route and which they had hoped to use on the cross-Canada route, and we were back with the old DC-3.

Also we had one of the companies which operates from Edmonton applying to the air transport board for the right to ship freight to Yellowknife by air at the rate of 12 cents a pound. We are currently paying 15 cents. That application was also turned down. So it is somewhat discouraging to us that present air policies seem to prevent us from getting reasonable rate reductions which we badly need.

Now coming to perhaps the most irritating aspect of transportation as far as we are concerned, I refer to water transportation. I do not propose to try to repeat everything that is in our brief on the subject, but the fact is that 90 per cent of our water freight is brought to us by Northern Transportation Company Limited, a wholly-owned crown corporation which is an immensely profitable venture.

We do not object to the federal government making a profit. We like to make a profit ourselves. They have \$152,000 in this enterprise, and the average profit





for the last four years -- that is the average annual profit -- has been \$560,000 after normal depreciation, which represents a return of 350 per cent annually, which we consider excessive.

THE CHAIRMAN: That is more than the return they will make on the railroad.

MR. PARKER: It is. We are in effect supporting the C.N.R. What I have told you is factual, and I will file the reports of this Northern Transportation Company Limited for the last four years. I would like to be able to file the report for 1954, but apparently this company does not have to comply with the law like the rest of us and has not filed its report and has not complied with the provisions of the Financial Administration Act. Its financial year ends December 31, and the 1954 report should have been filed at the end of March, 1955 and should have been laid before parliament two weeks later. Nothing of the kind has been done.

THE CHAIRMAN: I remind you, Mr. Parker, that our terms of reference are broad, but they are not completely inclusive of everything.

MR. PARKER: I mention that because you might wonder why I cannot tell you something about the operations of this company for 1954 and 1955. I would if I could, and I should be able to.



THE CHAIRMAN: We will see if we can find out in some other way.

MR. PARKER: No doubt before this royal commission has completed all its studies there will be at least one more report available. We do know that during 1954 there was a very substantial increase in tonnage on this line, and we know that in 1955 the tonnage was approximately 125,000, which was again a very substantial increase. Press reports indicate that the company has bought two more boats and twenty more barges. That is fine.

THE CHAIRMAN: You think the rates are too high?

MR. PARKER: We think the rates are far higher than they need be, and it does not make sense to us that the federal government should express a very strong interest in northern development, yet have its own company charging rates which are very much higher than are necessary in order to meet operating expenses and capital replacement. That is our position in that regard.

As far as power is concerned, we have a power development of about 8,300 horsepower, owned by the Northwest Territories Power Commission, which is an emanation of the Department of Northern Affairs and National Resources. At the moment that power project is meeting all the demands for primary power



in our area, except that power which the mine supplies for itself; but shortly it will have to curtail the amount of secondary power which it sells, and we can see that in the very near future we will have a power shortage if we do not get some further power development. We would be hopeful that this commission would encourage a forward-looking policy on power development. We think the time has now come for a further power expansion to take place.

Perhaps I should also mention briefly in connection with power and water transportation that it is our view that all the power potential of the Northwest Territories should be measured so the information will be available when people want to know what power might be there for them to use. This information will have to be obtained eventually, and we think the job, which has been started, should be completed.

We would also like the government to take a more vigorous attitude on such matters as the charting of Great Slave lake. It is a dangerous water at the present time, without adequate soundings. Parts of it have been sounded and the work is continuing, but it looks as though it will be a good many years before it is completed. That sort of thing should be stepped up.

I do not know whether it is





generally known, but the United States government has undertaken and is doing the charting of Canada's arctic coast. I have no objection to that; I am glad of it, because if they were not doing it I am quite sure it would not be done, and we will have the benefit of it. But it does seem to me reasonable to expect our government to at least chart the inland lakes.

It has been said -- it is not an original idea when I say it -- that it is not one thing or two things which will really bring about substantial development in the Northwest Territories. There are quite a number of things. A railroad would be a very great help. Lower barge rates would be helpful. More roads would help, and so on.

One of the factors which would be most helpful is some modification of the present federal taxation. I am quite aware that nobody enjoys being taxed, and that everyone in Canada is bearing a heavy burden of taxation. The fact is, however, that our cost of living is very high in comparison with the rest of Canada. Surveys undertaken by the Department of Northern Affairs bears out that statement. Not only will those surveys bear it out, but the federal government, when it sends its people into the north -- and it has many people in the Territories and Yukon,



belonging to all departments of the federal government -- pays its single people an extra \$75 a month and its married people an extra \$125 a month.

THE CHAIRMAN: Don't the mining companies do that?

MR. PARKER: No, they do not. They pay good wages, but they do not put them on that basis. We consider that this is a tangible recognition by the federal government of the fact that you have to compensate people in that part of the country for the substantially higher cost of living. They have done that for their own people; now we say, do something for us.

THE CHAIRMAN: I would think from reading these briefs that you have certainly said that. I do not mean that it is not a good thing to develop the north, but there are quite a number of things, and I was wondering whether you had ever calculated how much this would all add up to.

MR. PARKER: Well, now, Mr. Chairman, this is not a budget item at all. At the present time you have only a handful of people in the north. I am not sure how many whites there are. Get some people in there, and get some revenues coming out. The income tax revenues that are coming out of the north now are already substantial, and the





government does not know what these amounts are, because they all go in with the Edmonton records and they are not segregated. One thing we do know, however, is that the last records from the bureau of Statistics in regard to wage earners show that at Giant we are paying more income tax than all the farmers in the province of Quebec put together.

THE CHAIRMAN: Perhaps they were making more money.

MR. PARKER: Perhaps that is because they were making more money. But you are not being asked to suggest the development of an area which is not going to make its contribution to Canada, because it will make its contribution. But it cannot make that contribution until there are more people there, and there will not be more people until there is something profitable for them to do. In our view it would be a very substantial encouragement if the higher cost of living were recognized by the federal government not only for its own employees but for anyone who goes in there; and we do not feel that the rest of the people of Canada would think of that as any discrimination.

Another taxation matter, and one not related in any way to the one we have been discussing, is this matter of the tax free period for mining companies. As you are aware, every mining company in Canada is permitted a



tax free period of three years.

THE CHAIRMAN: This suggestion has been put forward previously. We are familiar with it. It is in the brief, and we know about it.

MR. PARKER: We are asking for 6 years; and I will not elaborate on the point at all. I would think it could be one of the most helpful things the government could do, and it could be one of the most helpful recommendations that could come from this commission.

THE CHAIRMAN: Rightly or wrongly I think of it as the Fred Connell plan.

MR. PARKER: Yes; I understand it was originally put forward by him.

THE CHAIRMAN: He happens to be a friend of mine, and I am hoping he will appear before us.

MR. PARKER: There again that is not a budget matter; and although it would postpone the time when the company itself would produce revenues for the federal treasury, it certainly would not postpone the payment of income tax by individuals, the payment of sales tax, and so on.

So, adding it all together, our view is that something of a serious nature and of a comprehensive nature must be done if there is going to be substantial development in



the north. We think that development would be beneficial to Canada as a whole, and we are, we think, very largely dependent upon what the federal government feels able to do.

We are also of the opinion that what this royal commission says will play a very important part in our future for the next 25 years. This is an objective body. Perhaps the government of Canada does not know too much about the north. We can talk to them, but we are a special interest. This royal commission is not, and we hope you may decide that bold measures would be justified; that transportation must be improved; that power development should be increased, and that something should be done in the field of taxation.

Well, now, gentlemen, I have occupied a good deal of your time and I shall sit down. But we have with us Mr. Pitcher and other gentlemen who would be much better qualified to answer any technical questions.

MR. LUSSIER: Mr. Parker, you mentioned that it would be necessary to have a railroad from Grimshaw to Hay river, I think. Have you any opinion by the railway people about the economic possibilities of that railroad?

MR. PARKER: Mr. Crump, president of the C.P.R., said that the apparent initial traffic would not be sufficient to pay the





operating costs, but he did not indicate what tonnage he was thinking of, or what tonnage would be required to pay the operating costs. We believe the tonnage available has been under estimated to some extent, and we believe there would be sufficient tonnage. We think there would be over 200,000 tons of freight immediately available; that is, 200,000 tons annually, and that within a very short time that would perhaps double and possibly triple.

MR. LUSSIER: How long would that railroad be; 350 miles?

MR. PARKER: About 400 miles.

MR. LUSSIER: Then you mentioned that you would like to have a highway from Yellowknife to the Mackenzie highway at a cost of \$4 million. How far is that?

MR. PARKER: It is about 175 to 200 miles, but we thought of the actual length of the road as being probably about 250 miles, because it could not be built in an absolutely straight line.

MR. LUSSIER: Is it not a fact that most of that country is solid rock? That is what I noticed when I was there.

MR. PARKER: The part where we are, right at Yellowknife, is in the pre-Cambrian shield. It is rocky outcrops and rough, and would be fairly expensive to build



through. But once you get across the north arm you get into a different type of country, which is very largely gravel and sand and so on, and it would not be expensive building at all.

MR. LUSSIER: What is the proportion of that?

MR. PARKER: About 75 miles would be fairly heavy going, but you would not have to do a great many rock cuts. You would simply go around them. You have travelled the road from Yellowknife to Giant, which is a bit over three miles in length. That is an example of the worst terrain which this road would cross, and that was initially built and operated at a cost of less than \$10 thousand a mile.

MR. LUSSIER: It seems to me that cost is much lower than we are paying in Quebec. Of course our standard of living is so high that we cannot afford to get such cheap construction.

MR. PARKER: This road would not compare with a first rate Quebec road; there is no doubt about that. It is not perhaps that type, but it would do the job.

MR. LUSSIER: You would be satisfied with it?

MR. PARKER: Yes.

THE CHAIRMAN: Mr. Allen, in your brief, in discussing the price of gold





you say that an increase of even 50 per cent in the price of gold would result in tremendous activity in the area, which would be evident in many directions. That is probably a correct statement, but what is the purpose of it? You do not expect the price of gold to rise by 50 per cent, do you; or do you think there is any reason for thinking that?

MR. ALLEN: That is correct. I believe probably the possibility of such a thing happening is a little difficult to understand; but the point behind the statement actually is to compare it with prices of other metals during the past several years. Those increases have not been 50 per cent, which we are now thinking is a fairly high figure, but rather 100 per cent, 150 per cent and up to 300 per cent increases. That is on a lower base price commodity, granted.

THE CHAIRMAN: I notice you do not say anything in your brief about gold subsidies. Have you any views about the present gold subsidy programme?

MR. ALLEN: The present gold subsidy programme, as far as the Yellowknife area is concerned, is now virtually non-existent.

THE CHAIRMAN: The mines in that area do not qualify?

MR. ALLEN: They do qualify, and



they get some benefit; but it is not too great at the moment. I think two of the mines do not get anything. The Giant still does get some benefit from it, but compared to previous years it is inconsequential.

THE CHAIRMAN: I do not want to ask for information that is not public, but is it public knowledge what the subsidy amounts to for any one company?

MR. ALLEN: I think it has been published that last year the Giant got something in the neighbourhood of a million dollars in subsidy from the federal government. This year our estimates are approximately \$200,000 to \$300,000.

THE CHAIRMAN: The reduction being due to what?

MR. ALLEN: Due to the change in the formula on which the gold subsidy is based.

THE CHAIRMAN: I think it was suggested that there are prospects, given transportation facilities and so on, for further gold discoveries in the general area; I mean it is an area that might produce more gold-bearing ore. Is that right?

MR. PARKER: Yes, that is right.

THE CHAIRMAN: I take it that the continuation of the subsidy would be important for such development?

MR. ALLEN: While it would not



necessarily be important, it would certainly help. But the major benefits from better transportation, while they would certainly help the gold mining and the uranium possibilities, would be of more importance to the base metals. The thing that would help gold mining is either a substantially increased subsidy, which is not necessarily a good thing, or more preferably an increase in the price of gold, even if it were not to the extent of 50 per cent.

MR. PARKER: Perhaps I might say that the recent decline in the value of the Canadian dollar has produced more dollars for our mines than the gold subsidy itself, so I think that puts it in focus. We are better off now by way of an increase in our revenues from that source than from the gold subsidy. We have been legislated out of it pretty well.

THE CHAIRMAN: Mr. Allen, in discussing transportation I think there were four points I remember. First of all was the railway. Second was a connecting road or highway from Yellowknife to the Mackenzie highway. Third was a suggestion that the rates charged by the Northern Transportation Company should be reduced. Fourth was some comment about the present air service in which I gather you would include not only the rates charged but also the frequency of the





service and so on. Would you rate those four subjects in order of priority from your standpoint?

MR. ALLEN: I would feel that probably the immediate benefit of a revision in the air policy, rates and so on, would help most. The next I think probably would be the railway.

THE CHAIRMAN: From the standpoint of Yellowknife you would put the railway ahead of a connection with the Mackenzie highway?

MR. ALLEN: I think probably it would be fairly close. I think possibly a road connecting Yellowknife with the Mackenzie highway would give more benefit immediately than the railway.

THE CHAIRMAN: Then you put the railway third and the transportation company rates last. I do not mean that you do not want them all, of course.

MR. ALLEN: They are pretty difficult to assess.

THE CHAIRMAN: I appreciate that this is perhaps not a fair question to ask you, but what I was wondering was whether from the standpoint of Yellowknife, which after all represents a fairly important part of the Northwest Territories that we are talking about, both because of the fact that such a large percentage of the population lives there, and



also because that is where your operating mines are and presumably it is the place from which at least some of the exploration would be directed or controlled; and during the discussion this morning I was wondering whether the first things that would be of interest to you would be just the points which you mentioned, the improvement of air services and a connecting road with the Mackenzie highway.

MR. ALLEN: The benefits of the increased or improved air service -- and by an improved air service I do not necessarily mean the number of flights and so on, but also rates -- the benefits from that, with a reduction in water transportation rates, of course would be immediate. The benefits of roads are a more long term proposition.

THE CHAIRMAN: And the railway longer still.

MR. ALLEN: That is correct. From my point of view you could certainly consider the reduction in rates of water transportation and air transportation to be of prime importance because of the fact that their effect would be immediate.

MR. GRAUER: As a point of interest, what is the estimated construction period for the proposed railway?

MR. ALLEN: I am not too familiar





with the construction problems in that field.

MR. GRAUER: Does anybody know?

MR. HERBERT: The information we have been given I think is that it would be about a couple of years once they had made the survey; and I take it the survey would take at least one full year and perhaps two years. I take it that it would be between three and four years from the time the first surveys had been undertaken.

MR. GUSHUE: On the question of power, what is the prime need for a survey of the power potential? I notice it was stated that your present development is adequate.

MR. ALLEN: It is adequate for the moment.

MR. GUSHUE: What is the prime need, then, for a survey?

MR. ALLEN: The feeling is that the prime need is for a survey of all the possible developments so this information would be available to companies who were interested in possible mining or other developments in those areas.

MR. GRAUER: As far as the Yellowknife district itself is concerned, are there any other major resources than the river, within transmission distance?

MR. ALLEN: No, but the potential on the Snare river is considerably greater than



is now being developed.

MR. GRAUER: But if it is the only source of heating I would be very leery of using it for house heating, as you suggest in your brief. Afterall, 25 thousand horsepower goes pretty fast.

MR. PARKER: We think of it actually for house heating. All the mines pretty well burn oil, and they also all have electric boilers. They buy whatever power is surplus to primary needs and use it in their electric boilers. For some of the mines, those that are away from the water transport routes, it is very much cheaper, of course, than the oil. In our area it is pretty close to the break-off.

Our idea was this. We do not want to run short of primary power, and we think we have reached the stage where we will need additional primary power before very long. If the project is undertaken now and more power is produced than is required, it can be sold as secondary, and of course it will be gradually eaten up as primary power.

We are also looking for a longer amortization period of 40 years, which I think is generally agreed is more realistic.

MR. STEWART: To what extent are water transportation and air transportation competitive? If you had a reduction in the



rates for water transport, would it divert much traffic from the air?

MR. ALLEN: I think it is extremely unlikely that there could be any reduction in air transport rates that would divert too much traffic. The main bulk of the consumable materials that are used in the community, particularly in the mining companies, are low cost, high weight articles on which even on the present water transportation freight charges the freight rates are quite in excess of the value of the articles themselves. So it would be completely impracticable to ever consider flying the large volume of, say, chemical reagents and explosives and that type of thing. But there are certain items of a more deteriorating type, foodstuffs and that sort of thing, which could quite practically be diverted to air transportation.

THE CHAIRMAN: Well, thank you very much, Mr. Allen, for this presentation; and you, Mr. Parker, and all those who have supported you.

We will adjourn now until 2:00 o'clock when Colonel Collins will perhaps be prepared to perform.

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At 12:30 p.m. the commission adjourned.





At 2:00 p.m. the commission resumed.

THE CHAIRMAN: Shall we come to order, gentlemen? Colonel Collins is going to present the submission of the Yukon Territory, and in it there are some comments on taxation that Mr. Herbert has asked that I make clear are not the thoughts and opinions of Mr. Connell at all; that they are the thoughts and opinions of Colonel Collins.

This explanation has become a little confused, perhaps, but in any case let us go ahead.

MR. COLLINS: Thank you, sir. Mr. Chairman and members of the royal commission, before commencing this dissertation I would like to say how happy we of the Territory were to have the chairman and most of the members of the commission in the Territory last summer on a short visit. I am sure your little visit there will help you to assess in greater measure the contents of this brief.

I would also like to say that this brief was reviewed; I had a draft copy of it and it was reviewed by the members of the elected council of Yukon Territory recently, and has their entire approbation.

This brief is an endeavour to assess in broad terms the actual potential



resources of the Territory; the problems consequent upon the development of those resources, and some suggested solutions to such problems.

The Yukon Territory is as large as the maritime provinces and Newfoundland combined. Within it lie natural resources which some day should rank it among our major sources of mineral wealth. Their development, held back by preoccupation with the economic expansion of southern Canada, and by the special problems facing its exploitation, has as yet hardly begun.

The economic expansion of the Yukon will depend largely upon the development of its minerals. As a first step these resources must be assessed and this is being carried out by the geological survey of Canada and by prospectors and mining companies. Though a start has been made, much of the Yukon is still relatively unprospected. Enough is known, however, to indicate that the Yukon is a most promising mineral region. Attached to the brief at page 25, Mr. Chairman and gentlemen, there is appendix A, which is an assessment of the geology and mineral potential of the Yukon as prepared by Dr. Bostock of the geological survey of Canada.

Mining long ago became the industry dwarfing all others. For many years the





leading metal was gold, but now it is exceeded in value by silver and base metals. Since 1946 mining has undergone an uninterrupted expansion, its production increasing ninefold in value to \$16.6 million in 1954. The further development of the Yukon's mineral wealth may come about more rapidly than is commonly thought, because the world's demand for metals and minerals is certain to increase apace. The territory's prospects also are enhanced by its location near enough to tidewater to permit its being made one of the most accessible parts of Canada to world-wide ocean transport.

Water power is another major resource of the Yukon awaiting development. The headwaters of the Yukon river contain a hydroelectric potential equal to about one-quarter of the hydroelectric capacity now developed in all of Canada. In the next quarter century the combination of low-cost power and new mining operations may encourage an important growth of manufacturing industries.

Two factors, climate and transportation, present problems for the economic expansion of the Yukon. Climate is not a serious problem. The chief problem facing economic expansion in the Yukon is transportation. Transportation costs are high, among other reasons, because of the long distances from certain markets and sources of supply, the



limited volume of traffic supported by the present Yukon economy, and the pattern of the territory's transportation facilities.

I might add here that unlike our sister territory we do have a railroad. This railroad is now almost 60 years old. It was founded, I believe, by private enterprise without subsidy; and although it has had a very difficult time for many years, it is still functioning and performing a very, very useful service in the economy of the Yukon.

Several measures could be taken to hasten the development of the Yukon. One would be for the federal government to undertake the cost of constructing the resource development roads which are essential to the exploitation of natural resources, and to build such roads into promising regions where substantial exploration is taking place.

In suggesting these contributions from the federal government I would like to impress upon the commission that in times gone by, at the end of the last century and for a number of years in this century, the Yukon Territory contributed very largely to the then national wealth of Canada upon which its present prosperity is founded, and at this moment has no hesitation in requesting some measure of quid pro quo.

THE CHAIRMAN: You do not have to



apologize for that. We have not run into any hesitation in any other quarters.

MR. COLLINS: I am not apologizing, sir.

At the moment the roads of the Yukon are described as resource, trunk and local roads. The situation is that resource and development roads have combined. At the moment resource roads are being constructed by the federal government entirely, and maintained on a share basis between the territory and the federal government. Development roads are normally constructed on a share basis by the federal and territorial governments, and the total maintenance cost devolves upon the territory.

The suggestion contained in this brief is that these two distinctions or types of roads be combined in one, called resource development roads, and that they be entirely built by the federal government, with the question of maintenance thereafter a matter of allocation as between the development which occurs and accrues to the benefit of the federal government, and that which is purely territorial in aspect.

The distinction between resource roads and trunk roads in many areas has a good deal of validity, but in the Yukon it can be misleading. The roads which link a new or a





promising mining area with established settlements or communication routes, are precisely those which loom as most important for the development of the territory's economic potential. Yet roads of this type can easily be classified as trunk roads and thereby become a territorial responsibility.

The ownership of the natural resources of the territory is of course vested in the crown in the right of Canada, and all revenues derived therefrom, at least the direct revenues, accrue to the benefit of Canada. Under those circumstances the territory's taxing power and ability to development any reasonable amount of annual income are very limited. Therefore it is essential that the federal government take a larger share, and a very much larger share, of road construction, particularly main roads and resource development roads, and the maintenance of them. In the brief we say:

"The requirements that the next 25 years may bring for the construction of roads are given illustration in those roads which even now would form highly useful adjuncts to the territory's system of development roads. These are drawn in on map No. II accompanying this brief.



Development would appear to call first for the construction of a road from Carmacks eastward to Ross river designed to open up an area seemingly rich in lead and zinc. As that area developed, it would appear likely that the occasion could then arise for the repair of the Canol road, first from the Alaska highway to Ross river and then on to the Northwest Territories border, to serve an area also known for its lead and zinc. To the southeast a road from Watson lake north to Frances lake and thence northwest to Ross river would pass through a promising mineral region. Were the Ross river area to become the site of a large metals production, Carmacks could become a focal point for the traffic in concentrates originating both there and at Mayo. Indeed, Carmacks might also eventually become railhead for the White Pass and Yukon Route, and perhaps the site of an electrolytic refinery utilizing such low-cost power as may be located in the territory. In





the southwest the road that now runs from the Alaska highway to Aishihik airport could well be extended in a northwesterly direction to tap the mineral wealth believed to be located there. Elsewhere in the Yukon, the discovery of oil in the area about the Arctic circle could bring the construction of a road originating near Dawson and ending at Fort McPherson in the Northwest Territories after turning eastward and passing through the Richardson mountains. The importance of such developments for Dawson and the northern region of the Yukon is apparent. Again to the north, a further road might proceed from Keno down the Wind river, opening up a region thought to be promising for both base metals and certain rarer metals of strategic importance."

I might also add that both roads entering into Alaska and bordering upon that territory have very high strategic value. At the moment the boundary road, so called, which



goes out from Dawson to Eagle, on the Alaska border, is only about a third class road. Should the Alaska highway be blocked at any time, which it could easily be by slides of some magnitude, the only exit by road from Alaska would then be down the boundary road, except the road in from Haines. The brief goes on to say:

"Although these appear now as the greatest needs that the foreseeable future holds for the construction of roads in the territory, the succession in which they may be built is by no means certain, nor is it unlikely that the priority given each individual road will undergo substantial revision. They nevertheless point to the significance that the provision of further roads will have for the developing Yukon economy."

Another measure which would hasten development of the mineral resources of the area would be, as has been already mentioned, some tax exemptions given to developed mines. What formula this would follow or how it could be arrived at is a matter, of course, for decision



by people other than myself; but certainly there are many factors tending to indicate that it would be a very logical step to take, and one well warranted by the conditions of climate and short working season and other cost elements which beset the mining development in these northern areas.

At the risk of being rebuked by the chairman, I would also like to suggest that if such a type of exemption would be of assistance to the mining industry, it might also at sometime be extended to other corporate properties, individuals and enterprises in the territories. I realize that this would be a very difficult thing to do, but the fact is that although tax exemptions to mining properties would be a very valuable factor in developing those mines, it would have little impact on the cost of living; whereas if other industries concerned more closely with the needs of man were incorporated and by some manner of means brought into such a scheme, it would tend in my opinion to lower the cost of living in the territory.

I mentioned earlier the water power resources of the territory. These obviously should be utilized as soon as possible for the development of the mineral resources and for other economic purposes in the territory.





The provision of substantial quantities of low-cost hydroelectric energy would be of inestimatable value in the development of the Yukon Territory. It would stimulate the establishment of smelting, refining, and perhaps other electro-metallurgical industries based on the mineral resources of the territory. The presence of a smelter or refinery might well cause a number of deposits which are now uneconomic to become economic. Further, the population increase which would come directly and indirectly from a smelter would stimulate agriculture and farming and perhaps small local manufacturing industries.

Under the Frobisher scheme for developing power from the headwaters of the Yukon, the power would be developed in British Columbia. However, a large part of the storage basin would be in the Yukon, probably over half in the final stages. Also, a large part of the water used would originate in the Yukon from precipitation and run-off. Further, the dams to effect the diversion would, with the exception of the pilot project stage of 270,000 horsepower, all be in the Yukon Territory. The most significant fact of all, however, is that all of the water, if it were diverted, would flow through the Yukon for some 500 miles, falling through a head of some 1,000 feet.



In return for permitting this water to be diverted for the production of power in British Columbia the government of the Yukon, and the people of the territory, would expect to receive a fair share of the water rentals charged for the use of this diverted water, and also to be guaranteed the delivery in the Yukon of a large block of low-cost power. The Yukon would base this claim on the principle of downstream benefits, the principle that a state or country which allows works to be constructed on its rivers which will produce benefits in another state or country downstream, merits a share of these downstream benefits. This principle is widely accepted in Canada and the United States, and also in Europe.

The precise share of the water rentals which the Yukon should receive should be decided by negotiation. It should, however, be substantial. I should add that the water rentals would accrue to the federal government as long as the resources of the Yukon are vested in the crown in the right of Canada. If and when these resources are transferred to the Yukon, however, they will accrue to the territory. In the meantime it is assumed that the federal government will regard them as revenue derived from the Yukon when considering its financial arrangements with that territory.





The size of the block of power to be delivered in the Yukon would also be decided by negotiation with the company concerned. However, it should be large enough to satisfy the needs of the processing industries based on a reasonable estimate of the future mineral production of the Yukon. It seems likely that a substantial proportion of this block of power will be needed at a fairly early date, probably during stage I of the power development. Power produced in stage I of the development will be presumably more costly than that produced in stages 2 and 3, and therefore an arrangement should be made for the Yukon to receive all benefits that result from the lower costs of production when stages 2 and 3 progressively come into operation.

Under present circumstances it appears to us in the Yukon that rather too much emphasis is being placed by the Department of Mines and Technical Surveys on the surveys and other assessments of this Frobisher scheme. We would like to see the Department of Mines and Technical Surveys also survey the territory for small potential hydro development sites which could be used by mines inland off the main roads and so on, probably at a much earlier stage than the Frobisher scheme would apparently envision. We think that despite the Frobisher scheme these smaller potentials should be surveyed and be on tap to enable capital and



other interested factors and people to know what they could expect in the way of power development.

Then we say in the brief:

"There are of course may other matters which will have an important bearing on the economic development of the Yukon: some with special significance for particular communities, others of general significance but of somewhat lesser importance than those to which I have just referred. This brief has restricted itself to matters of major importance and long-term significance, but the oral representation may provide the opportunity for enlargement as the commission may desire. It is my hope, however, that within this brief compass I have been able to convey something of the capacity of the Yukon to contribute to the future wealth of Canada".

THE CHAIRMAN: Thank you very much. You refer to the programme of roads which you propose. Have you any estimates of the over-all



cost of the proposed roads?

MR. COLLINS: No, sir. That would be a very difficult thing to say. It would be obviously impossible to answer at the moment and would be, I suggest, part of a reasonable long term programme. It could be tied in with the survey of those hydroelectric sites and so on.

THE CHAIRMAN: Could you give us any idea as to the average cost per mile of road construction in the Yukon? I do not mean the very high class type of highway that runs from Whitehorse to Mayo, but the kind of development roads you have in mind?

MR. COLLINS: An average cost would be grossly misleading, as a great many average figures are. In many parts of the Yukon the materials for road building are inherent in the right of way itself, and all you need to do is scrape off the overburden, allow the permafrost to melt, giving it a year to do so, and the gravel can be obtained right there. In other places there is extensive rock formation which needs blasting or going around, and in some cases there are long gravel hauls and that sort of thing. An average cost would be not only foolish but it would be impossible to say.

THE CHAIRMAN: I do not want to go over the ground that we covered this morning in reference to your tax proposals, except to





say this; that in essence I suppose your argument is that if it is considered desirable to develop the north country, the costs of doing so will have to be shared by the country as a whole in one way or another; and it is more costly to develop a mine in the Yukon or the Northwest Territories than it would be to develop a similar mine further south.

It really gets down to a question of whether it is good policy to develop the mines in the north, as I think Mr. Robertson said this morning, before all the area in the south has been fully explored and developed. It is a question of policy and judgement.

MR. COLLINS: Well, yes; I think I agree with that to a great extent. I have no doubt that the southern portion of Canada as yet has not been fully developed; there is no question about that. While I acknowledge that it may seem, and perhaps at the moment would be, unwise to in effect subsidize to a reasonable extent mining development, to help it over this initial hump in the Northwest Territories and Yukon and perhaps in other parts of Canada which have about the same climate and the same difficulties, I think one important thing is that at the moment both the Northwest Territories and the Yukon are almost vacuums as far as population is concerned.

Therefore I do not think you can



exactly judge such a suggestion on its purely economic aspects, because I think it is necessary for more population to be in these areas for many reasons, strategic, tactical, economic and so on; and they will not go in there unless something is done for them.

Also there is one other very serious thing at the moment. I cannot speak so much for the Northwest Territories, but people go up there not with the idea of staying there, but with the idea of putting up with adverse living conditions, poor housing and so on, in order to get enough money to get out of the place again quickly. To my mind that is not the type of person or condition that will in any way help develop on a permanent basis these territories. Therefore they need assistance toward eliminating some of these factors.

MR. LUSSIER: You already have a good trunk road from Mayo or Keno up to Whitehorse. Who built that road? Was it the Northwest Territories or the federal government?

MR. COLLINS: It is a resource road, Mr. Lussier, built by the federal government at a cost of \$4 million and a half, approximately, and it is maintained jointly by the federal and territorial governments on a fifty-fifty basis.





MR. LUSSIER: So would you suggest that the same system should be adopted for the construction of the other roads?

MR. COLLINS: I would say yes. I would say so for the Stewart River - Dawson City road, certainly as far as Dawson. You know the road that goes off from Stewart river, where we took all the pictures. I think that is another case of a resource road. Up to the moment the federal government has been contributing 60 per cent of the cost of that road.

A moment ago, Mr. Chairman, you asked me for some figures on the cost of construction. That road, which is about 110 miles in length, of which about 90 miles were new construction, including one bridge which cost about \$20,000, was constructed for \$800,000.

MR. LUSSIER: And about the Frobisher development, I know you suggest that this project should be developed much further south. I thought we might have that projected development at Skagway.

MR. COLLINS: I am not an expert on such matters, but I understand that you will be hearing from experts later on.

MR. GRAUER: Just as a point of information, you are suggesting that a block of power be made available to the Yukon. I



do not know whether it has been decided yet where the generators would be located, but one early suggestion was near the mouth of the Taku river. Is the transmission relatively easy back to the Yukon? I suppose it would depend on what kind of power you would have in mind.

MR. COLLINS: Yes, and when you could release it, because it would have to be reserved in perpetuity to be made available to us; not rented out or leased or disposed of.

MR. GRAUER: You probably could not use it for some time?

MR. COLLINS: That is right, and that is why I suggest that these surveys for smaller power sites, which can be used at any time, be carried out. For instance, the Northwest Territories Power Commission is now in there endeavouring to select a site for the hydroelectric requirements of Whitehorse and vicinity, because the peak now takes all the existing facilities.

MR. STEWART: Could you tell me what are the prospects of mineral development in Alaska, what developments are occurring there? Is it similar to the Yukon?

MR. COLLINS: No, Dr. Stewart, it is not. There is hardly any mineral development in Alaska. The principal minerals presently being utilized there are coal and placer gold. The people of the Yukon, of course,



think some of this later development is due to their peculiar mining laws in the territory of Alaska, which are very stringent.

I do not know, but obviously and geographically it would appear as though, since we know there is this enormous mineral potential in the Yukon, it should reasonably extend into Alaska. Apparently one of the reasons it does not is that at the moment it is the military importance of Alaska that is the governing factor, and the economy of the Alaskan territory is very good just now because of the very large numbers of soldiers, sailors, airmen and their civilian complements who have been sent there.

THE CHAIRMAN: Well, thank you very much. You were kind enough to refer to the trip which some of the members of the commission made to the Yukon and the Mackenzie district this summer. It was a great experience for us. Fortunately Major Lafrance was able to take some photographs, and I believe he is going to send copies to you and Mr. White, so they will remind us of our trip and of the scenery there for many years.

We are most grateful to you. We will mark this brief as Exhibit 52.

MR. COLLINS: If I may say one more word to express the hope that the report of the commission in respect of the Yukon territory will be so favourable to the said





territory that you will be able to return after the publication of the report for a month's holidays.

THE CHAIRMAN: That is a very good note on which to end. We will have to keep that in mind about other parts of Canada, too.



THE CHAIRMAN: Now, Mr. White, would you like to come on next, and then we will hear from the Whitehorse Board of Trade. I think we should just state for the record, Mr. White, that you are the managing director or general manager of the United Keno mine, and also that you have had a long and wide experience in the northwest and that therefore on this occasion you are speaking both on behalf of the Yukon and the Mackenzie district.

MR. WHITE: Yes. Mr. Chairman and gentlemen, actually this brief is being presented more as an individual than as representing any particular views of either territory.

I have taken a somewhat different attitude regarding the north to any briefs that have been presented to date, and with your permission I would like to outline the section which I have considered in this brief.

I consider that the north of Canada falls into an economic region which does not follow provincial or territorial boundaries. This region starts in the vicinity of Stewart, British Columbia, and comes across Canada through Red lake, Ontario, to the 50th parallel, and thence progresses to the Gulf of St. Lawrence.

The reason I have chosen that area is this. It consists in the main of the





great shield, the pre-Cambrian shield, the central plain of the Cordillera area. The area I have chosen is parallel or almost parallel to the barren lands. The country is distinguished by long, cold winters and by relatively short summers. There is therefore a lack of agriculture. Transportation is difficult; the distances are very great, and therefore costs are very high. I feel that this unit through here must be considered as an economic region in any of your considerations; and if I am only successful in imparting that to this commission I will feel very grateful.

I think regardless of the provincial boundaries the treatment of the people who live in the northern parts of these provinces should be the same as that of the people who live in the territories. There are places in northern Ontario, Manitoba and any province you wish to name that are just as remote, just as difficult to operate in, as any place in the Yukon, and perhaps even worse. Therefore I would like to make that point.

In this territory under consideration the chief resources are mining and minerals, including oil and gas, which will probably be found in increasing quantities in the future. In the area I have outlined there are 14 major mining areas either in production or very close to production. They



are contributing many millions of dollars to the economy of Canada, and I feel that this industry should be nurtured in the future.

The water resources have been covered and will be covered further, certainly by more competent people than myself. However, they are very great and more than ample for any mining expansion which may occur, even in the event of the construction of a smelter. The other resources, which are timber, fur, fishing and farming, at the moment are not economically important; and it is fairly doubtful whether in the area I outlined, except in northern Alberta and Saskatchewan, farming will become a significant industry.

One point I would like to make is the contribution and the comparison of mining in northern Canada with that in the provinces. Canada has benefited greatly in the past by the establishment of this very large mining industry in northern Canada. Employment has been high in these industries, and much purchasing power has been created which has contributed very substantially to the prosperity of our country. However, this industry in the north must pay higher wages, larger transportation costs, higher power rates and larger social service costs than operators in the provinces. Thus it is evident that a preferential treatment is given to operations



in the southern part of Canada and much less consideration is given to those operating in the north. The result is that only large, high grade ore bodies can be mined at a profit at the present time. This limitation of profitable ore bodies in northern Canada is a most unhealthy situation and every effort should be made to remedy it. This commission probably has the chance to correct that situation in the future.

I have several recommendations which I shall cover briefly. The first has to do with transportation. I feel that feeder lines must be built to the trans-continental railways in Canada over a period of time, feeding down from the north to our trans-continental railways as the situations arise.

At the present time I would like to support very strongly the construction by the dominion government of a line to Pine Point. I feel that it is bound to come, and I believe the increase in mining in the Northwest Territories will be very significant if that is done.

One point came up this morning in which I was interested. You asked if that would increase prospecting in the Northwest Territories. I feel that if a mining company has a base that is on a railway to operate from, it just expands that much further. They





have a certain amount of money to spend, and it is not all spent flying in from Edmonton.

The other thing is that I feel a systematic construction of roads should be undertaken prior to production. That last remark is most important. It should be done in a systematic fashion so that the road is built, the prospector goes in, rather than waiting for the prospectors to go in by very difficult means of transportation; and when he finds a mine, then building a road to it. It should be done as a very systematic advance north, and I feel that these roads are certainly deserving of every support of your commission.

One other point in connection with transportation that I would like to mention, and it was brought up this morning, is this. I do not feel that any crown corporation has a right to make a tremendously large profit at the expense of people who are struggling to open up a new country. That is one small remark I would like to interject.

With regard to communications, which are difficult, mail and radio services in the north are poor. Neither the postal department nor the C.B.C. has ever had a person living in the whole area of the north. They live in Vancouver, Toronto, Edmonton or any other place but the north. They have made certain studies in the past. They come in one



day and look around and they are gone the next, and I do not believe that is good enough. I think the north can justly ask that improved communications be inaugurated at once. We pay as much income tax as the people who live in Edmonton; some of that goes to the C.B.C., and we get nothing out of it. You can hear Moscow once in a while, but you certainly cannot hear Edmonton.

With regard to taxation, I am taking the chance that I am repeating something said before, but I believe the area which I have outlined should be considered an economic unit for tax exemptions. That should cut across the northern part of the provinces and should not be limited only to the Northwest Territories and the Yukon. I am talking against myself a little bit there, but I believe this is a much sounder principle than to say, "When you get up to the Northwest Territories we will give you a tax exemption."

THE CHAIRMAN: I must say that I made a note as soon as you made the suggestion, that it seemed to me an excellent point; that all the northern areas should be considered together, including the northern parts of Quebec and the other provinces as well as the territories. It seems to me that is a sound approach.

MR. WHITE: Regarding personal



income tax, which was brought up today, I do not believe that personal income tax should be lower in the territories. Here again I am talking against myself, but I do believe that a great proportion of that income tax should be returned to the territorial governments, or to the provincial governments in the northern part, so they can develop their schools and hospitals and so they will not have to go running to the dominion government. <sup>as I see it</sup> I feel that is a much sounder approach than to try to put a line there beyond which everybody gets lower income tax. I have never been in favour of there being any line, because it would cause too much dissention.

There is one other point regarding taxes. I feel that dominion government property in remote and small communities should pay their fair share of taxes, which they have not been doing in the past, particularly the Department of National Defence, where they have children attending school and they have not been paying their full share of the cost of education. That is a dominion government matter. That is something in which all Canada is involved, and I think they should be required to do this.

I have just one further remark, Mr. Chairman; the most important one I have kept until the last. It is my firm conviction that in northern Canada -- and I mean all the section





I outlined -- an advisory committee should be appointed, a permanent advisory committee. It should represent the provinces which extend to the north, the Northwest Territories and the Yukon.

I do not believe the members of such a committee should be all civil servants, nor do I think civil servants should predominate. While they should be on the committee, I do not believe they should predominate. They should be free to investigate and report to either the provincial governments concerned or to the dominion government, if it is solely its concern in connection with any problem. This I feel will be the only way a long term plan can be successfully commenced to develop that whole large part of Canada.

I say that in all sincerity, although I know some of my government friends do not consider that a good suggestion; and they have their argument too.

THE CHAIRMAN: Well, we are extremely grateful to you, Mr. White. You have taken the trouble not only to come here and give us the benefit of your views; you have quite obviously done a lot of thinking about it on the basis of your long experience in the north, and I know we are all extremely grateful to you.

MR. GUSHUE: I have just one



question. The advisory committee which you suggest -- and it is a rather interesting suggestion -- would touch upon areas within the jurisdiction of the provinces as well as of the Northwest Territories and the Yukon?

MR. WHITE: Yes, that was my idea; that the provincial governments have representatives on that committee.

MR. GUSHUE: You would want some provincial collaboration?

MR. WHITE: By all means, because they control the resources.

THE CHAIRMAN: I would like to ask just one question, or a series of questions. We are charged with the job of trying to indicate the direction in which the economy is likely to go over a very extended future period, with not too much emphasis on the immediate problems, that are very large and important, unless those problems will tend to impede progress along certain lines.

In doing that we are trying, among other things, to make some assessment of the probable progress of individual industries, and over the course of the next several months the studies that are now in progress will be moving along and we will be getting a great deal more information.

At this moment I do not want to talk about the future of the mining industry,



about which we will hear a lot over the next two or three months. I would like to get your view about the probable development of air transport, both passenger and freight, in the north country over the next 5, 10 to 25 years. Do you think the rate of expansion will be as great as it has been, for instance, over the last 5 or 10 years? What do you expect as far as the air is concerned?

MR. WHITE: While alternate means of transportation will undoubtedly come in, say this Pine Point railroad which is proposed, all that it does is push the frontier back, and my experience has been that air freight, even in the case of an individual property, always goes up. You never seem to come to the point where you say, "Well, now, we have everything in; we can stop." It is always increasing.

I think that just means that we are progressing a little bit. We are now bringing in fresh vegetables and fruits and so on, which 10 years ago they hardly did at all, and I believe it will always increase.

As far as transporting heavy commodities like a concentrate, you cannot use air transport. Nobody has been able to do that yet.

THE CHAIRMAN: Well, thank you very much. We will hope to see you in Toronto later on.





THE CHAIRMAN: The next submission is the brief of the board of trade of the city of Whitehorse, to be presented by Mr. Hine, which we will mark as Exhibit 54.

MR. HINE: I understand that the royal commission would like me to confine my remarks to about 15 minutes. A good many of the matters contained in the brief of the Whitehorse board of trade have already been covered; therefore I will just touch the highlights.

THE CHAIRMAN: We do not want to restrict you, Mr. Hine, but if points have been covered perhaps you might cover them quickly rather than go into them in detail.

MR. HINE: Very well. As the preface to the brief indicates, although this brief is presented on behalf of the Whitehorse board of trade, it does not confine itself to the city of Whitehorse. The outlook is broader, and embodies the whole of the Yukon Territory.

One of the main problems -- and that is the theme of this brief -- is that the economic prospects of the Yukon territory are restricted as a result of the high cost of living in the territory. It is felt that if it were possible to reduce that high cost of living, not only would the population in the territory increase but also the economic development would be encouraged. The theme of this brief, therefore, is how can the cost



of living be properly reduced.

I would deal very briefly with the amenities, because I received word the day before I left Whitehorse that the federal government has taken steps to remedy the housing problem in the Yukon territory by making certain amendments to the National Housing Act, and they have advised us that this will be proceeded with immediately.

An additional recommendation in connection with the amenities has to do with radio facilities. As has been said previously, it is very difficult to get people to go to the Yukon territory and stay there. The population is very transient, and one of the main reasons for that is that they have not had adequate housing, and they do not have the amenities to which they have been accustomed on the outside, if I may use that term.

The Canadian Broadcasting Corporation is a federal unit set up to advance culture and art and entertainment in Canada. They are competing on the outside with commercial radio stations, and I think that is not properly their entire function. They should be developing the areas of this country that are underdeveloped.

At the present time in the Yukon territory we have two radio stations, both of



which have a very small radius. The radio station in Whitehorse is operated by the Department of National Defence and has a scope of about 10 miles. The radio station in Dawson is purely a voluntary effort, and the scope of that station is about 5 miles, if that.

Certain investigations have been conducted in the past to determine what can be done to better the radio facilities, and they are listed in this brief.

Those recommendations appear at page 10. The first is that the power of the established radio stations be increased. That recommendation is made, as the brief says, haphazardly, because both radio stations are operated on a purely voluntary basis, and you cannot expect them to be of proper quality. The second one is that shortwave broadcasts be beamed to the Yukon territory from the outside. That was attempted a year or so ago and was found to be unsatisfactory, although it is better than nothing. The organization of a commercial radio station is not feasible, because there is not sufficient population in the territory to support one.

The only alternative left is to have the Canadian Broadcasting Corporation take steps to install a proper radio station in the territory, which will service the entire





territory.

Going through this brief quickly, it might be surprising to find a reference to agriculture in a brief of this nature, in reference to the Yukon territory, because the city of Whitehorse is in a latitude comparable to the cities of Europe which are cited here, Helsinki and Oslo. Yet 100 miles from the city of Whitehorse in a northwesterly direction the Canadian Department of Agriculture has established an experimental farm. On that farm they have successfully raised cereals, grains, and many types of horticulture, beef cattle, milk cattle and poultry.

THE CHAIRMAN: Where is that farm?

MR. HINE: It is at mile 1016 and 1018 on the Alaska highway, just past Haines Junction. It has been estimated that there are 250,000 acres of arable land in the Yukon territory, and it is a known fact that during the gold rush to the Yukon the territory was almost self-sustaining from their own growth of vegetables in the immediate vicinity of the city of Dawson; and at that time the population of the territory exceeded 30,000. At the present time the population is much less than that, less than half, but we are unable to support ourselves in the field of agriculture. It is recommended that the federal government



take steps to institute a proper survey of the entire territory to determine whether or not the territory can be self-sustaining in that field.

The next portion of the brief deals with forestry. The forests of the territory are primarily coniferous and broad-leaved trees; and it is estimated that south of the 64th latitude, in an area of 100 thousand square miles, 15 per cent of the region contains commercial timber. It is also estimated that the forests of the territory could sustain an annual cut of from 50 million to 100 million board feet. At the present time the cut is in the vicinity of less than 10 per cent of that amount. All the lumber manufactured in the Yukon territory finds a ready market. It is either sold in Fairbanks, Alaska, or in the populated centres of the territory; and even at that, at the present time the maximum capacity in regard to manufacturing lumber only fills 60 per cent of the amount required. As I will develop later on, the reason for most of the lack of development is the high cost.

Here is another example. It costs so much for a mill operator to establish his field of operations, to get his sawmill out to the site, and then to be faced with the problem of cutting a road in at his own expense



to the forested area, that it becomes prohibitive. If he does get in and gets the lumber out, the cost to the consumer is prohibitive. So one way or another the forests are not being developed.

An example has been given in the brief. It is dangerous to use isolated examples, but this is a very good example. A lumber operator, operating in the north, was required to spend approximately \$15,000 out of his annual revenue to develop a road, which is now being used by mine operators and the forestry department of the federal government for fire prevention. This man had perforce to add the cost of that road to the cost of the lumber to the consumer. Again our costs have gone up.

The hydroelectric potential in the Yukon territory has been referred to, but I shall refer to it briefly, because actually no one does know very much about it. The point I would like to bring out is that two groups in particular are known to have been travelling through the Yukon territory and northern British Columbia, making extensive surveys and intending to use one of the natural resources of the Yukon district, which will benefit the territory. I am not criticizing that phase of it, but the people in the territory feel that they should be appraised of all these





developments so they can make plans for their own economic development in the future. If cheap power is to come to the city of Whitehorse, as an example, then the businessmen there should make plans to develop their own businesses, keeping in mind the lower cost of power. We feel that we should be entitled to receive this information, inasmuch as it is our natural resource that is being developed.

The transportation portion of this brief, as far as the board of trade of the city of Whitehorse is concerned, is the most important portion. There are four main phases of transportation in the Yukon territory, which differs from the Northwest Territories; those are the coastal steamer, the railway, the highway, and the airplane.

Dealing with the coastal shipping, there are four main vessels that travel from Vancouver to Skagway, Alaska, which connect there with the White Pass and Yukon Corporation Railway. A new vessel was recently constructed by the White Pass and Yukon Route, known as the motor vessel Clifford J. Rogers, which is a step in the right direction as far as we are concerned, in that it may reduce the cost of freight to Whitehorse.

The railroad covers a distance of 110.7 miles. These figures I am about to give you are quite important. The mileage across the



Alaskan territory is 24.4. Across the territory belonging to British Columbia it is 32.2, and across the Yukon territory it is 58.1. The average cost of freight hauled, as my figures indicate, from Whitehorse on outgoing freight to Skagway is \$6.50 per ton to \$10 per ton, and the incoming freight from Vancouver, by vessel and rail is \$40 per ton.

Now dealing with bridges, there are three main rivers, which I believe some members of this commission crossed when they travelled up to Mayo and Dawson, travelling from Whitehorse on the Whitehorse-Mayo highway. The rivers are the Pelly, the Stewart and the Yukon. There is also one other, known as the Pakini river, on which a bridge is being constructed at the present time, so no reference is being made to that.

In order to properly develop the mining area north of Mayo, it is submitted that bridges should be constructed across each of these three rivers. No estimate of costs is available, but the department will have these figures made available to them if they are interested in making a survey.

The need for these bridges arises in this way. In the first place, United Keno Hill Mines Limited, which is established some 30 miles north of Mayo, at the present time is required to delay its



operations during the freeze-up and break-up of these rivers. It is an interruption in the economic progress of the territory, and is probably not warranted.

THE CHAIRMAN: It does not interrupt the production at the mine?

MR. HINE: No, because they can stockpile. The Mayo-Dawson-Whitehorse highway is one of the main communication links in the Yukon territory, and if for no other reason than to speed up communication between those centres, bridges should be constructed across those rivers. Then if the field of agriculture is going to be developed, and the trend indicates that the Dawson area is the most feasible, then the truck gardening would be established in the Dawson-Mayo area and they would be required to haul their commerce to market in Whitehorse and would have to cross these rivers.

The next point in the brief is the highway route to seaboard. This proposal, as far as the board of trade of the city of Whitehorse is concerned, is the main feature of the brief, in that if a road were established from the city of Whitehorse to seaboard, many of the present high costs would be reduced. At the present time there is a railway connecting the city of Whitehorse with the seaboard, but it is felt that as the economy of

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this country is based upon competition and free enterprise, the railway company would not suffer drastically if a road were constructed from Whitehorse to Skagway to seaboard, to compete with the railroad haul.

The figures I gave a few moments ago indicate that the length of the road would be from 110 to 120 miles, 24 miles of which would be in the territory of Alaska. A meeting was held in 1951 of representatives of the territory of Alaska, the province of British Columbia and the federal government, and as a result of that meeting the territory of Alaska agreed to pay for its share of that highway, both in construction and maintenance.

At the present time a good portion of that road is already constructed. Some 43 miles of the road, out of the total length of 120 miles, is already in existence, and is across country where maintenance costs would be very low. The altitude of the proposed highway would be approximately 2,500 feet; and the route which this road would take has an alternative. It could go through the White pass, which is now utilized by the White Pass Railway, or through the Warm pass route, which would probably be a better route and is already surveyed.

There is a great deal of material available on this proposed road, and there would



be no need to go through all the detail again, because if the federal government is interested it can have the material at its disposal.

The reasons for asking this commission to consider the economic prospects of which the Yukon territory would become the recipient if this road were established are that the cost of living in the territory would be affected very greatly in several respects. Not only would the cost of living be reduced, but we would have a form of independence in the city of Whitehorse and the northern portion of the territory, which we do not have at the present time.

On September 8 of this year a strike occurred in Skagway, Alaska, which continued until October 21, during which time no freight was hauled into the city over that route. The economy of the city of Whitehorse was almost crippled, but more so the economy of Dawson and Mayo.

At that time a proposal was made to the federal government to open up and maintain a road from the city of Whitehorse to Haines, Alaska, a distance of 259 miles, which proposal was accepted, and that road was maintained until the strike terminated. Freight was hauled by truck from the seaboard at Haines to the city of Whitehorse, and it was found that even in that short period



the cost of hauling goods in from seaboard was less than by the other means.

Another advantage is that the road has a comparatively low cost of construction. The figure contained in the brief, as far as I can determine today, is not accurate. I was in telephone communication with Whitehorse, and determined that the cost of building that highway would be \$4,500,000, at an average cost of \$40,000 per mile and a maintenance cost of \$1,200 per mile.

We have heard here today a good many references to a reduction in the income tax and other taxes in the territory. The board of trade of the city of Whitehorse feels it is unlikely that the northern portion of Canada will obtain this reduction in the immediate future, but at the same time the people in the territory continue to contribute a large per capita sum to the federal government. It is felt that if the government is sympathetic to the proposal that the people of the north should not be charged so much, but that there is no method which is suitable to reduce the charge, then the way in which they can get around that is to invest more money in the territory.

Moreover, if the economic prospects of Canada as a whole are considered, then the final remaining frontier of the natural





resources is in the territories, and in order to get the benefit of those resources they must risk some capital in these areas. It is submitted that one of the ways in which this can be done is in the construction of a road from the city of Whitehorse to seaboard. The economy of the Yukon would be stirred up as a result of this road. The high freight rates to which we are now subject would be reduced. The mines north of the city could haul their ore from mine site to seaboard without interruption and without handling, except depositing in the truck and unloading on the dock.

The American Legion and the Veterans of Foreign Wars in the territory of Alaska have submitted briefs to the Department of National Defence indicating that a road of this nature is required for the better defence of northern Canada. Those briefs should also be on file. The other advantage is the shared cost of construction among the territory of Alaska, the province of British Columbia and the Yukon territory or the federal government.

The mining potential of the Yukon territory I think has been very adequately covered. Once again the problem that arises immediately in considering mining is the lack of roads. A map has been annexed to the brief, which is self-explanatory. Wherever you see that there is a road, you also see a



mine. Where there are no roads there are no mines. At the present time every one of the known operating mines or the known potential mines is within 35 miles of a presently constructed highway or road.

It is submitted that the federal government should take steps to provide access roads from these main arteries to enable prospectors to more conveniently get into the mineralized zones, which areas are known by the federal government geologists. Combining this submission with the previous section on forestry, if the forestry department joined forces with the geological department, they could determine where the forested areas and the mineral areas overlapped, at which point a road could be constructed into that area which would serve a dual purpose.

Air transportation is another phase of the transportation question in the Yukon territory, but it requires very little coverage in a brief of this nature, except to point out that the air lines are now considering that they can haul ore from the mine site to seaboard by air. Whether or not this is feasible will be shown as time goes on, but one thing it does prove is that the cheapest way to get the ore from the mine to the market is to go by way of the seaboard. Even the aircraft fly from the mine site to seaboard.



I have nothing further to add, because the commission will undoubtedly read the brief.

THE CHAIRMAN: We have read the brief, and I think it is a very good one.

MR. HINE: Thank you very much. It was a bit late getting in. I am sorry; I apologize for that.

THE CHAIRMAN: Thank you very much, Mr. Hine; we are most grateful to you.

---Recess.





---After recess.

THE CHAIRMAN: Mr. Marler, would you like to present your brief? For the benefit of the reporter, Mr. Roy Marler will present a brief on behalf of the Alberta Federation of Agriculture, which we will mark as Exhibit 55.

MR. MARLER: Mr. Chairman and fellow commissioners, I want to express our very sincere appreciation at being here at this meeting, because of the importance of your commission to the general economy of Canada, and particularly to agriculture.

At the outset I would like to say for the benefit of the commissioners who do not reside in Alberta -- I am sure Dr. Stewart knows all this -- that the Alberta Federation of Agriculture is an organization of farm organizations. It represents some 54 producer-controlled agricultural organizations, and about three-fifths of those 54 organizations are producer co-operative organizations, while the other two-fifths are primary producer organizations, such as the farmers' union, the agricultural societies, the livestock breeder associations, the sugar beet producers, and so on.

It has been indicated to me that I might elaborate and comment on some of the more important features of our brief. In particular there are one or two items which were



left out of our brief, as the advance in time of the hearing caught us rather short.

In regard to farm income, I do not suppose there is very much necessity of saying a great deal in that respect, because it is generally known -- you have your staff of statisticians who will know -- that farm income has dropped considerably. But even though it has dropped considerably from the high peak of 1951 and 1952, it is still relatively high, if it were not for the high cost of living and the high cost of production.

A farm enterprise of today is very different from that of 30 years ago. It has changed even in the last 20 years from practically a self-maintained unit as far as cost of power is concerned, when the horse was raised and fed on the farm with feed produced on the farm, while today we have mechanization, we have to buy fuel, we have to buy repairs, and in these fields, particularly in the case of repairs, the costs are very high; and it requires more cash outlay to operate a farm today than it did in previous years. So it is really the extreme cost that is troubling us more than the reduction in the gross income. It is the net income where our trouble is.

Another thing we have found in our economy, and which your commission no doubt will be giving consideration to, is the



inflationary period that we are in at the present time, which has placed our agricultural products in Alberta, like other products in Canada that go into the export market, in a very disadvantageous position as far as markets are concerned other than those in the United States. As I have pointed out in the brief, the United States is a very available market, a very good market; yet they are not able to take all of our present production, let alone our potential. Perhaps I should say that the selling price of beef in Great Britain, as well as hogs, is almost half the retail price here in Canada. Therefore you can see that this has placed us in a very unfortunate position as far as participating in the export market is concerned, in connection with many of our other products outside grain.

In regard to support prices, as you know this is a very lively subject throughout Canada. It is surprising the number of people who have a very keen interest in it and who do not hesitate to make recommendations in regard to support prices, which are usually termed subsidies.

I want to make this point with the commission, that support prices are not necessarily subsidies. In our federation movement right across Canada, which involves





all nine of the older provinces, we have recognized and recommended support prices at or near the cost of production; something above the cost of production, I should say, and we have not recognized support prices, nor asked for support prices, to be high enough to be an incentive price. Rather we think they should be just a stop calamity price, a stop crash price for the industry.

We are having some talk in Canada with regard to a fair price, or a parity price, and perhaps your commission will be looking into that angle. From my observations -- and these are my personal observations of what is taking place in the United States -- under their parity price formula, and now under their flexible support price programme, I can hardly see how these two coincide or can work together, because a parity price does not take into consideration supply or demand. It is based on a parity, on the relative income in agriculture as compared with that in other services, while a flexible price does take into consideration the supply and demand situation, and does not necessarily take into consideration parity prices, as I see it.

In passing, in regard to a support price I want to say that I think from the limited observations I have been able to make, perhaps we in Canada have the basis of the best



support price method I have had an opportunity to observe. There is plenty of room for improvement in our support price policy and its application, but I think perhaps the act itself provides for this.

As an organization we have asked the federal government for a formula for the setting of these support prices on the various main agricultural products; that is, a statistical formula. Personally I have questioned whether we can use a statistical formula. I am very much for a formula, if it is possible to work one out, under which the producer will know some months ahead what will be the support prices on the various products. I think that would give a great deal of stability. It would level out the continuity of production, and it would instill some confidence in the producers, if they knew there was some limit to how low their commodities or services could go.

I know there is a great deal of concern in Alberta and across Canada at the present in regard to the support price on butter, and I suppose in some respects that could be considered a subsidy. But even this support price is not an incentive price, because our production of butter is going down.

I think this commission could do a great service to Canada if they could study the relationship between the embargoes on dairy



products going from Canada into the United States, and the lack of duty on imports of vegetable oils into Canada. In other words we have embargoes on dairy products going out of Canada into the United States, and the vegetable oils come in here in most cases with no duty or a very small duty. It is rather hard for us to show our people any justification for this, though of course we know that under the trade agreements all these things have to dovetail pretty well into the national policy.

My opinion on this, in passing, is that it seems to us at least some quota system could be introduced, particularly because our production of butter is going down and it is not being increased as the result of price incentive. So it seems a quota could be introduced whereby a limited amount of vegetable oil could come in here to meet the real need, without embarrassing the support price policy, and without doing harm to the second largest individual industry in agriculture across Canada.

In that connection, as you know our wheat is worth about \$660,000,000 a year and our dairy industry about \$413,000,000, so it is about two-thirds the amount of the wheat. It is the second largest commodity on which our farm people in Alberta and in Canada depend for their income and their livelihood. It is







also the foundation, in most cases, of many of our small and intermediate family farms.

It is also very important to the national economy of Canada not only from an agricultural point of view but when we consider the amount of employment that is created in the manufacture of dairy equipment, from the milk pail to milking machines, to barn stanchions, which require lumber, and all the rest of it. There is a tremendous amount of purchasing power which arises from the dairying industry.

THE CHAIRMAN: What sort of duty would have to be put on vegetable oils to stop them coming in and competing with butter?

MR. MARLER: I am not sure of that, Mr. Chairman. I have not arrived at a figure. I am inclined to think that for the moment, and until further consideration could be given to such a trade policy, a quota would be less objectionable and more effective, though I grant you that in the long term view there must be some other solution than that.

I would like to go back to the question of farm credit. This, I think, is pretty well left out of our brief, though in my opinion it is a very important thing as far as agriculture is concerned in Alberta, and I think it is of keen interest in all the provinces right across Canada at the present time.



Under this inflationary period the value of our lands has more than doubled in recent years. Under the present Canadian farm loan board it is practically impossible for a farmer's son, using this as an example, to start to take over his father's farm and obtain credit through the farm loan board rather than to have his father carry him. As an example, in this Edmonton area many of our quarter section farms which have homes on them would have a capitalization for land and buildings of between \$30,000 and \$35,000. Many of them, of course, are more elaborate than that.

The Canadian farm loan board has a certain schedule of valuations on farm land. For instance, I had occasion this spring to observe one instance, where the farm sold for \$15,000 cash. All that could be obtained by way of a loan on that farm by the purchaser, who was a son of the owner, was \$2,500, though with the father's security it was agreed to recommend that the loan be \$3,000.

That is one of the features of our present farm credit policy. I know this matter has been given consideration at provincial levels as well, and there are perhaps three things I would particularly like to recommend. I think the term of years now adopted by the farm loan board, 25 years, is reasonably good. I know it is longer in some



provinces, and it may be that some of our people would like a longer term. Personally my experience is that 25 years has served me well in dealing with the farm loan board and the soldier settlement board.

Then I think probably the farm economy has to be provided with a long term basis, because it is subjected to climatic conditions which do not necessarily conform to a long term of averages. I do not know of any periods of years that you could go back and look at the production or the marketing of agricultural products and say they coincided with each other. For that reason, if credit is extended over a period of 25 years I think that takes in the bad years and the good years, so to speak, sufficiently to allow the farmer to continue; and in this respect I think perhaps a fair interest rate would be about 4 per cent.

There is one other thing about the farm loan board as it presently operates. That is, if a farmer has a good year and has some extra money which he is able to pay in advance on his loan, that is not credited to him as far as his obligations are concerned for the next year. In other words he is expected by the farm loan board of Canada to come along with his payment the next year, even though he is hailed out. These are things





which I do not think were intended when the act was drawn up.

Now, in regard to marketing boards, we have had a great deal of interest right across Canada, and a great deal of activity in Alberta, in respect to producer marketing legislation. It has taken us 6 years to re-establish producer marketing legislation on the statute books of Alberta, notwithstanding the fact that this legislation was put on the books in 1939. Just about the time it was going to be used by the producers, the War Measures Act was implemented and the federal government found it necessary, while controlling prices and wages and other things, to also control the marketing of agricultural products for a period during the war and following the war.

In 1948, when we started to taper off from the British contracts, and the federal government found it advisable to discontinue their controls, the producers began to give consideration to this possible method of improving their marketing system. They looked upon it as a self-help proposition, and we immediately started to again try to get legislation put on our statute books.

The purpose of a producer marketing board is very similar to the objectives of the Canadian wheat board, which is a crown board. That is the great difference; one is a producer



controlled and owned organization with complete autonomy, and the other is a government board, a crown board responsible to the government. The producer board is responsible to the producers who are producing the commodity which is going to be sold. As I said, it is a self-help method of marketing which the producers would like to try out.

It has been said that it is compulsory, and a great deal of objection has been voiced because of that feature. It is a compulsory act, but I think all acts on the statute books are compulsory, and this is a democratic set-up. Before it can become effective the people producing any particular commodity which is of concern -- it is necessary for them to draw up a plan and have that approved by a majority of the producers and, in addition, have it approved by the provincial government. If that is done, then they can set up a board; and the federal statute, chapter 16 of 1949, provides for the federal government to confer powers upon this producer board to market these products in interprovincial and export trade.

One of the problems we have at the moment is that they have given us a reasonably good act, with one exception, and that is the method of voting. They are asking us to obtain 51 per cent of those who are eligible to vote. We asked for 65 per cent



or an even larger majority of those who would vote, but our wishes were not met, and we are not sure that we can obtain 51 per cent of the eligible vote on any issue in Alberta.

Just on that point, if I am not taking too much time, I would say that the provincial government, serving the province here from 1952 until this year, had 31.5 per cent of the eligible vote. I believe this year, while they got about the same vote as in 1952, when we consider the increase in population the percentage will be somewhat less.

The mayor of Edmonton, when he first ran for office, obtained the seat with 19.5 per cent of the eligible vote in the city of Edmonton.

I could go to the suburbs like Jasper Place and Beverley. The mayor of Jasper Place obtained 25.5 per cent of the vote.

We are perturbed about this method of voting, which is retarding our progress in this field at the moment. The purpose of this producer marketing board is to observe whether it has anything to offer to improve our present marketing system, and to utilize the principle involved in a central selling agency.

That has been done in regard to grain and has been found very satisfactory as





far as the western producers were concerned.

This legislation has been termed communistic, but I have tried to show that it is purely democratic. Nobody is dictating to the producer except the majority of producers just as to how they will market their products. The political leaders of the various parties who supported this in the legislature have been criticized for voting against their own principles, but I think that is very unfair, because the British Columbia legislature passed legislation over 20 years ago, which has been used in that province for that length of time, and which is in effect in 6 of the older provinces of Canada.

Now I would like to suggest that the brief has a mistake in it on page 15, in regard to the acres under irrigation in Alberta. The figures that are there pertain to the number of acres for which water has been allocated by the prairie resources board for present and future development. The acres that are under irrigation now would be about 847,000.

Now, Mr. Chairman, if there are any further comments or any questions regarding the brief I will be glad to try to answer them.

THE CHAIRMAN: I think, Mr. Marler, we probably have a number of questions we would like to ask you. First of all on marketing, there was some discussion yesterday of the possibilities of a two-price system,



one price -- presumably a high price -- for the wheat that would be consumed in this country, and presumably a lower price for wheat which would be exported. Would you like to comment on that?

MR. MARLER: Yes. Well, if I am speaking organizationally on this, the feeling in our federation of agriculture in the prairies is that with the present level of our economy, the present level of the buying power in the prairie provinces and in all Canada, the consumer is not entitled to food at relatively less cost than clothing and the other necessities of life. Under our present marketing methods pertaining to other commodities than grain, and under our export position with respect to grain, our prices are virtually set by what we have to export, when we have anything to export, and are governed by the living standards, the buying power and the level of the economy in the importing countries. Our wheat board has served us well in this field, and there is a feeling in our organization -- it is not unanimous, but almost unanimous -- that the consumer of Canada should be willing to pay a reasonable amount for his food products as well as his other necessities of life.

THE CHAIRMAN: So I take it you would be in favour of some such system?

MR. MARLER: Our organizations are in favour of a two-price system. They



believe the price of wheat to the domestic trade in Canada should bear a reasonable relationship to the relative price structure of all commodities in Canada.

The only question that has ever come up in my mind personally in that regard is this. Normally we are exporting about 80 per cent of our wheat, and it is a question whether our consumers will feel satisfied to have us sell that proportion of our product outside Canada at a price lower than they are paying. That question does not apply to any others of our agricultural products, because when we are in the export market with those it is only on a very small basis, relatively.

THE CHAIRMAN: In discussing the question of surpluses yesterday, with reference to the prospective future surpluses rather than focusing the discussion on the immediate situation, the opinion was expressed that prices should be such as not to encourage the production of wheat primarily that would be uneconomic. Would you agree with that approach?

MR. MARLER: Are you talking about support prices or prices established by the wheat board?

THE CHAIRMAN: I presume the reference was to prices established by the wheat board.

MR. MARLER: I think I could go





along with that argument, but I could also add that that is not the case at the present time. Our prices are not high. We as farmers are not receiving even half the price which they are receiving in some of the other countries. Perhaps we are the only country today where the grower of wheat is not being subsidized. All the costs pertaining to the operation of the board are paid by the western wheat producer.

Does that answer your question?

THE CHAIRMAN: I think so. On the question of livestock marketing, we have heard suggestions from various sources that every effort should be made to encourage people to go into livestock if that is a practical thing for them to do.

If there were a great increase in the production of livestock presumably there would have to be a corresponding increase in the export of livestock or meat products. If that occurred, do you think your provincial producer-controlled livestock marketing boards would be an adequate method of controlling the marketing of livestock and meat products?

MR. MARLER: In other words could the marketing board cope with such a situation?

THE CHAIRMAN: Yes, the provincial board?

MR. MARLER: No, we had never



thought or anticipated that a marketing board would be a cure-all for all our marketing problems. We have thought it has certain potential advantages which should be experimented with to see if it would improve our marketing position. We feel that it can take out the speculative features; it can take out the actual cost of those speculative features, which do play a part from time to time in the marketing of livestock.

I cannot go along with those who say we should get on with a livestock production programme at the moment. In fact I do not think any minister of agriculture would dare suggest to the farmers of this province that they produce more hogs or cattle. At the moment we are stymied in that respect. As I have pointed out in the brief, our potential in this regard is limited. It seems to me it would be foolish to go out and ask our people to produce something for which there is no market; and the same thing might be said with regard to wheat. There just is not a market.

You have probably had it suggested to you that we should meet the competition today price-wise. What does that mean? Well, if this afternoon the Hudson Bay store in Edmonton started to sell \$75 suits for \$25, it would have quite an effect on the market for suits here. It would simply demoralize the market. The same thing is true in the marketing



of wheat. If the Hudson Bay store started to give away those suits, it would absolutely destroy the market, and the other stores would not like that.

Today I do not think the other countries like the marketing policies that have been adopted by the United States in disposing of their surplus products. Those surpluses have been created, at least in part, as the result of their subsidy programme, which is not the case here. Of course I will grant that the United States have reduced their wheat acreage by 30 per cent or 33 per cent in the last two years, while we have reduced our wheat acreage by  $7\frac{1}{4}$  million acres since 1940.

If the United States is going to give away wheat, how can we sell wheat? I do not think the importing countries like that type of programme, mind you. I do not think the governments would like it. I am quite sure the agricultural people in those countries do not dislike it. But the answer is that they do not like it so much that they will not take advantage of it while it is in operation.

MR. GUSHUE: Would not Canada meet that same criticism if we had the two-price system, the higher price for our domestic sales and the lower price for our exports?

MR. MARLER: I do not think you would have that here under the two-price system. I do not know why it is called a two-





price system, because there can be any number of prices.

I believe we in Canada have been spoiled, speaking from the consumer's side. In this province agriculture accounts for about 75 per cent of the consumer goods bought, but we as consumers have been spoiled by the operation of this cheap food programme. We have been in a surplus position most of the time, and we have had to depend upon just what we could get for it. That has been our experience, and that is what is behind our trend of trying to help ourselves under producer-controlled marketing sales under the wheat board. I venture to say this, that if it had not been that wheat was a major consideration in export trade perhaps we would have had wheat sold under a producer board, and the fact that the federal government has jurisdiction over convertibility of exchange and all the trade agreements, in which wheat bulks very largely.

With the two or more prices in regard to our domestic trade, we do not believe our consumers will complain about paying a reasonable price for the product, and that is all we want. Under a producer-controlled marketing board we could get away from the extremely high price and the extremely low price, and create a continuity of supply which will be in the best interests of both the



producer and the consumer.

I happened to sit in at your hearing in Winnipeg long enough to hear you ask for one or two examples of other marketing methods that were being suggested to you. As an example I suggest, and Dr. Stewart knows this very well, that fluid milk in this city and all across Alberta to a somewhat similar extent, is sold under some form of marketing board. In this city it is sold under the supervision of the utility board, and the price is established by that board. That has been so for over 20 years now, and during those 20 years neither the distributors, the producers nor the consumers have asked for decontrol. Nor, I think, since 1949 has any of those groups asked for a change in the price of milk, which I think is an enviable record for that type of product.

THE CHAIRMAN: On page 14 of your brief you indicated the amount of additional land that might be brought under cultivation in Alberta between now and 1980. At the bottom of the page you say:

"On the basis of production per acre for the last 20 years, these acres should yield around 392,000,000 bushels -- "

That is the total; that is not



additional?

MR. MARLER: That is wheat. If you will excuse me, when we are talking about agricultural products here we usually tie it up to wheat, because we consider wheat the barometer.

THE CHAIRMAN: Do you expect the world market for wheat is likely to increase to the point where it will bring further wheat acreage into production?

MR. MARLER: I am playing this figure against the increased population in the world, not within Canada. I feel that our better techniques and know-how in regard to production in Canada will at least take care of our increased population, if not more than that, during the intervening 25 years.

In regard to this figure, I naturally do not anticipate that conditions will continue as good in Canada in the three prairie provinces, nor will they continue as good among the international importing countries or the other producing countries, as they have been during the last six years. We suffered a poor crop, a half crop, in 1954; the other five years, however, as you know have produced exceedingly large crops, and to some extent this same situation has been experienced by both the other exporting and importing countries, by and large. It has





also happened that in some of those countries there has been a reduction in the wheat acreage.

THE CHAIRMAN: That is what I wanted to get at. You think that given average yields in the wheat producing countries there will be scope to bring additional land under cultivation, not only in Alberta but in Canada as a whole?

MR. MARLER: Yes, I think so, to this extent; and I have also shown here, I believe, that we have much more land that we could bring under cultivation. We will skip the next five years, but from then until 1980 I think there will be less emphasis on wheat in the importing countries.

THE CHAIRMAN: You believe that common sense will prevail again in five years?

MR. MARLER: I do not know whether that is the right terminology or not; I would not say it is not, but I think there are other commodities which perhaps are more adapted to their national programmes under normal conditions than wheat.

THE CHAIRMAN: I gather that you think the irrigation programme should be continued. It has been represented to us by some that the present irrigation programme should be slowed down until there are assured markets for the types of crops that could be



best produced on the irrigated land.

MR. MARLER: I think it should be pursued on what we might perhaps term an normal basis, for this reason. I do not consider the irrigated land necessarily potential wheat land. That is to say, I think the irrigated land provides an opportunity for the growing of what you in Ontario would call cash crops; canning crops.

THE CHAIRMAN: But it is not being used for that at the moment, is it?

MR. MARLER: I sometimes stand alone in this under certain circumstances, but I am a very strong believer that some direction might well be given as to what our production should be and in what direction it should lead. I think we have lacked that direction both provincially and federally in recent years. We did have it during the war years; but I do think if there are certain markets available for certain products, there would be no harm in giving some study to it even if it were a joint undertaking by government and by agriculture, to try and direct our production into those certain channels.

THE CHAIRMAN: How would you do it; just by encouragement and education?

MR. MARLER: I think it could be done in two ways. It could be done reasonably effectively by just simply placing the facts



and the possibilities before the producers.

The other point is that you can take land out of cultivation by subsidy, as we did in 1942, and you can either direct it into the production of some commodity by subsidy incentive or you can direct it out of production by a subsidy incentive.

THE CHAIRMAN: We have heard various estimates about the cost per acre of these different irrigation schemes. I gather that the earlier ones cost relatively much less than the more recent projects, and that the most recent one, the St. Mary and Milk river in Alberta has cost an estimated \$80 per acre. Others we have heard of would probably cost very considerably more than that.

Under present conditions there must be some point at which it would not be economic to spend money on more irrigation. I do not know what that point is, but if you have a figure in your head we would be interested in having it.

MR. MARLER: I have not a figure, and I think your assumption is correct with one exception. That is that to Alberta and to the prairies generally the irrigated areas offer a great deal of security in a period of years when undoubtedly we will again be subjected, as we have in the past, to drought conditions. I think that is not only an





Alberta asset or a prairie asset, but it is a national asset, and I believe on that basis alone, from the standpoint of providing fodder feeds, root crops, seeds and so on, the security to the province and to the nation is well worth a continuance of this irrigation programme on a reasonably normal basis. Under conditions such as we are passing through at the moment I do not think that land should be directed to wheat production.

THE CHAIRMAN: On this question of security, what are your views about crop insurance plans?

MR. MARLER: We have been working for 35 years or more, looking forward to eventually evolving some satisfactory solution whereby we can have a type of crop insurance. We have looked at what is going on in the United States, where they have met with a considerable degree of success, but we question very much whether it would be practicable in the prairie provinces to implement a similar scheme.

As you know, the P.F.A.A. has been established in the prairie provinces more as a guard against relief than from the standpoint of crop insurance. It was not intended to take the place of crop insurance. We felt that perhaps in the near or not too distant future there might be at least a



foundation worked out whereby, using the P.F.A.A. as a basis for the compulsory application of it, and with the participation of the producer in the programme, we could hope that we might be able to work out something that would be acceptable to our producers and that would be recognized as being in the interests of the provincial, the prairie and the national economies.

THE CHAIRMAN: The reason I am asking about crop insurance plans is that it has been pointed out to us that the people in the manufacturing industries these days have various security measures provided them through unemployment insurance, pension plans, the guaranteed annual wage and so on. In other words an attempt is being made to take some of the risks out of living for the individual. Presumably if measures of this kind are required by one lot of people, then it has been suggested that the farmers should not be left out.

MR. MARLER: Well, I think that is the crux of the whole thing. I believe crop insurance comes under the same considerations as farm credit. The hazards are so great that private industry has not been interested so far in coping with this situation on a basis on which the farmers could go along.

THE CHAIRMAN: Mr. Lussier would



like to get a copy of your producers' marketing act in this province.

MR. MARLER: We will be glad to mail one to you.

THE CHAIRMAN: That would be very kind of you. Well, thank you very much, Mr. Marler; we are most grateful to you, and your brief and what you have added will be of great help to us.

MR. MARLER: Thank you.

THE CHAIRMAN: We will adjourn now until tomorrow at 10:00 o'clock.

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---At 4:30 p.m. the commission adjourned.





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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

EDMONTON, ALBERTA

November 23, 1955

Volume 11



Wednesday, November 23, 1955.

---The commission resumed  
at 10:00 a.m.

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Appearances:

Mayor William Hawrelak  
for the City of Edmonton.

Mr. D. Goodwin, chairman;  
Professor B.Y. Card, director;  
Mr. L. Gertler, director and  
national councillor;  
for the Alberta division,  
Community Planning Association  
of Canada.

Mr. S.S. Graham, president,  
Agricultural Institute;  
Mr. G. Haase;  
Dr. L. McElroy;  
Dr. R. Hilton, president of local  
branch;  
Mr. W. E. Bowser, registrar;  
for the Alberta Institute  
of Agrologists.

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THE CHAIRMAN: Shall we come to order, gentlemen? We are looking forward this morning to hearing the brief of the city, to be presented by Mayor Hawrelak. We have read the brief and we think it is very good, and are looking forward to its presentation.

MR. HAWRELAK: Thank you very much, Mr. Gordon and gentlemen. I think perhaps to facilitate the presentation of the brief it might be better to read the major portions of it. If you will not mind I think I should further elucidate it as I do so, and any time you would like to stop and question me, I will attempt to answer any questions you may have.

THE CHAIRMAN: Fine.

MR. HAWRELAK: I deem it a privilege and an honor, on behalf of the citizens of Edmonton, to welcome the members of this royal commission and their staff to our city. I hope you will enjoy your stay with us despite the cold weather, and that, while here, you will obtain all the information you require with respect to our community. In this connection, I assure you that any information or assistance which it is within the power of the city to supply will be gladly and promptly furnished.

To you, Mr. Chairman, may I say that I greatly appreciate the invitation, contained in your letter of September 9th last, to present





a brief on behalf of the city, advising the commission of the views of the city with regard to the probable future development of the city, generally, and in particular asking certain specific questions.

Before answering the specific questions I will state briefly some information concerning the history and development of the city and the management and resources of the city, because I believe the information may be of use to you for municipal comparative purposes and also because the answers to your specific questions will be better understood.

The city of Edmonton has developed from fur trading posts established here toward the end of the 18th century. I believe in 1795 the first fur trading post was developed here. Two separate communities developed therefrom, one located on the south side of the North Saskatchewan river, which became the city of Strathcona, and one on the north side of the river, which became the city of Edmonton.

The cities of Strathcona and Edmonton were amalgamated by chapter 66 of the statutes of Alberta, 1911-1912, and have since then been under the control of one council. Our form of government consists of a mayor and of a council, presently 10 in number, elected for the term of two years, with aldermanic elections held annually for half the members of the



council.

The council has the power to appoint commissioners, who together with the mayor as chairman, constitute the executive officers of the city. At present there are two appointed commissioners. The government of the city is therefore a commission form of government, subject to the legislative jurisdiction of council. The form of municipal government has proven satisfactory to our citizens for nearly 50 years.

I might say that as far as I know we are the first city in Canada to have selected a commission form of government, followed by Calgary some three years ago. We have had surveys and investigations made of our form of government by the city of Vancouver some three years ago. I do not know just what the present status of that investigation is, but we had quite a number of people here from Vancouver studying our form of government.

I might also add that Professor Clarke, who is head of the political science faculty of the University of British Columbia, a year or two ago reported to a meeting of the municipal officials -- it was in November, 1954 -- after making an exhaustive study of the different forms of municipal governments in the United States, Canada and the United Kingdom; and we were delighted to hear his report in Calgary at that time stating that in



his opinion the form of government which Edmonton has is the best form of municipal government he had the opportunity of studying.

For what it is worth I am passing that on to you. Naturally I am delighted that it should be our form of government he was talking about.

The public and separate schools are operated by elected school boards whose members hold office for two years, with annual elections for one half the members. Each year, the boards requisition for the amount of their requirements and the city is compelled to impose and collect taxes against land and improvements in order to pay the amount of such requisition.

It used to be that if the requisitions for any year exceeded those of the previous year by more than 20 per cent, we had the right to question the requisition. In the last two years that has been changed. If there is any increase over the year previous, we have the right to question it; and if the council is not satisfied, they will refer the matter to the board of public utility commissions for adjudication, to see if the increase is justified and necessary.

Edmonton is the capital city of the province and hence the seat of the provincial government; it forms the hub of a large and important agricultural, livestock





raising and dairying region, and large packing plants and dairying plants are operated here. It is a marketing and wholesale storage and distributing centre for the region and also for the vast north country. It is an important railway and transportation centre, being served by three railways, the Canadian National Railway, the Canadian Pacific Railway and the Northern Alberta Railway, and by several large companies which operate road passenger and freight transportation services to and from Edmonton.

Speaking about the importance of Edmonton as the centre of an agricultural area, I think you will recall that during 1942, in which year Canada exported some 600 million pounds of bacon to the United Kingdom to assist in the war effort, 25 per cent of that shipment came from Edmonton and district. I think that speaks for itself as to the importance of agriculture, and as to the suitability of this area for that particular type of industry.

It is an important aviation centre; the freight carried by aircraft to and from the Edmonton airport annually is among the highest of any city in Canada. There might be some debate on that point from the city of Vancouver.

The extent of the present airport activities may be judged from the fact that



there are an average of from 350 to 400 aircraft movements per day and 1200 civilian employees are engaged at the airport and in businesses related to the aircraft industry. In confirmation of the importance of Edmonton as an aviation centre it may be mentioned here that recently the federal government has publicly announced its intention of establishing a new international airport close to Edmonton and it is understood that construction will be commenced next year.

The University of Alberta is established here. The president of our highly respected and renowned institution, of course, is on your commission. The university hospital is a medical teaching centre and enjoys a high reputation in the medical field and Edmonton is an important hospital and medical centre. There are 4 class A hospitals here, providing 2124 hospital beds and 309 bassinets. The city owns and operates one of these class A hospitals known as the Royal Alexandra hospital, by means of a hospital board. The Royal Alexandra hospital, which includes an infectious diseases wing and chronic ward, comprises 689 beds and 125 bassinets. 122 of these beds are in the new maternity wing, which was officially opened on January 4, 1954. The total staff of the Royal Alexandra hospital is approximately 1060, which includes 204 student



nurses and 26 internes. There are also two hospitals for the care of tuberculosis patients, one called the Charles Camsell hospital, owned and operated by the federal government and one called the Aberhart Memorial hospital, owned and operated by the provincial government. In addition there are hospitals and institutions caring for old age patients and for chronic cases not requiring active medical treatment.

In Edmonton are located the headquarters of the western army command and the headquarters of the western Canada tactical air command, and important air force and army units are stationed in the vicinity of Edmonton which serves as the supply centre therefor.

Edmonton owns and operates public utilities such as power, water, and sewage disposal, light, telephone and transit systems. Its steam power plant, now wholly gas operated, is fully modern, of 124,000 K.W. capacity and is the largest steam power plant between Toronto and the Pacific coast. The ownership and operation of its utilities has had and will continue to have an important effect upon the economy of the city. The only public utility not owned and operated by the city is for the supply and distribution of natural gas, the franchise for this utility being held by Northwestern Utilities Limited.





The present area of the city is 43.22 square miles; its population is 209,353 according to a civic census completed on May 15 last. The total 1955 assessment of land, improvements and franchise is \$221,758,500. It should be noted here that the assessment basis in Edmonton is 100 per cent of the value of land, 60 per cent of the value of commercial buildings and 50 per cent of the value of residential buildings.

This is somewhat different than you will find in most other places, that there should be a differentiation in assessments as between residential and commercial buildings. We have had this for some 31 years, indicating special inducements for home ownership. We feel it has been a good thing in our community to make that special concession to home ownership; and the fact that 78.7 per cent of our single family dwellings are owner-occupied may to some extent at least have been brought about by the special concession and inducements provided by this tax feature.

The total debenture debt of the city, including utility and local improvement debenture indebtedness, is \$61,883,753 as at December 31, 1954, made up as follows:



Public utilities. . . . .	\$18,865,074
Local improvements (property share)	14,483,294
General debt debentures . . . . .	28,541,384

In addition, the school board debenture debt is \$17,106,750 making a grand total of municipal and school debenture indebtedness of \$78,990,053.

For the information of the commission a statement of the capital expenditures from 1947 to 1954 is attached as schedule A and attention is drawn to the relatively large amount of capital works done without borrowing.

If you want to turn to that schedule you will notice that some \$98,388,000 was spent for that purpose, of which \$57 million was borrowed, or roughly \$40 million was obtained from other sources than borrowing. Some of that was financed by prepayment of local improvements by property owners, some from reserves that were on hand, some from current funds, some from government grants and so on. So out of \$98 million of improvements that were built in those 7 years, we borrowed \$57 million and provided \$41 million ourselves.

In the last 4 years, including 1955, we spent approximately \$75 million in new capital improvements, of which \$40 million was borrowed; and since that money was borrowed some \$10 million has been repaid on



that borrowing, so that we had a total value of \$75 million of new capital improvements provided for our citizens in the last 4 years, on which we owe now approximately \$30 million.

In Edmonton, the mill rate this year, 1955, is 48 mills, which is composed as follows:

General municipal. . . . .	9.22
Debenture interest and redemption. . . .	10.44
Schools. . . . .	24.50
Hospital plan. . . . .	2.71
Library board. . . . .	1.13
	<hr/>
	48.00
	<hr/>

It is specially noted that 24.5 mills, more than one-half, is imposed to meet the school requisitions, and 2.71 mills is imposed against property owners in respect of a recently provincially instituted hospital plan.

There is one important observation I would like to draw to your attention in connection with the make up of this mill rate structure. That is the fact that in the last 4 years the amount of the mill rate levy which has been required to service the debt and also to retire the annual requirements of the debt has not been above 10.75 mills. It has remained reasonably stable and stationary, and as a matter of fact has come down slightly this year





to 10.44 mills.

That, I believe, is a very significant fact, in that it indicates that in the last four years at least the indebtedness, although created in large volumes -- there has been a relationship maintained between that volume of debt created and the new assessment that came on our tax rolls; and it is because that new assessment has come on that we have been able to maintain a relatively stationary low rate structure to service and retire and debt.

The borrowing power of the city is limited to 20 per cent of the total amount of the assessment of rateable property as shown on the last revised assessment roll, exclusive of school indebtedness, local improvement indebtedness, public utility debt and amount of funds or securities in the sinking fund account of the city. I should say there is no statutory limitation on school borrowings, but as I have indicated there is a limit on municipal borrowings. Since 1951 the provincial government has been the sole source of borrowing for the city.

While agriculture, livestock raising and dairying is the chief source of wealth of the province and of this region, great industrial development has occurred in Edmonton and the metropolitan area.



This industrial development quickly followed discovery of oil in 1947 in this area. So far as Edmonton is concerned, one result of this industrial development has been the establishment outside the boundaries of the city, of oil refineries, petrochemical plants, pipe-line terminals and businesses complementary and subsidiary thereto. A very large percentage of employees engaged in these refineries, plants and businesses live in Edmonton, and in the towns of Jasper Place and Beverly which abut the city. This, in turn, has caused an assessment imbalance and has created serious problems involving present and future town planning, heavy school costs, heavy capital expenditures for roads, sewer and water mains, and extensions, and a new sewage disposal system to provide for housing accommodation required to meet the rapid increase in population and business expansion.

In order to ascertain the nature and extent of these problems and of the assessment imbalance, the provincial government appointed a provincial royal commission to enquire into the conditions in the metropolitan area of Edmonton, which metropolitan area includes the towns of Beverly and Jasper Place and the surrounding municipal districts; primarily, however, that of Strathcona M.D. No. 83, which is adjacent to the south and east boundaries of the city and



where the most of the refineries, petro-chemical plants and pipe-line terminals are located.

The provincial royal commission finished its public hearings in April last, but has not yet announced its decision or recommendations.

However, information was obtained and statistics thereon were prepared and included in the brief which was presented to the provincial commission in April of this year. Some of this information and these statistics are, I think, relevant to your inquiry and to your questions and I therefore bring such information and statistics to your attention.

Before the discovery of oil in 1947 -- I might say the population in that year was 118,000 odd, and in 1946 it was 114,976 -- the city had proceeded upon the assumption that to provide for services and facilities for a population of from 125,000 to 150,000 would be reasonably adequate. However, the effect of the oil and gas discoveries was to cause a very rapid increase in population here. For years before 1947 there had been virtually little increase in population, and the trend in Edmonton was pretty much the same as the level in Canada. That is why the figure of 125,000 to 150,000 was regarded as sufficiently high for planning for additional services to meet the requirements of the new population. This required that a new approach to the problem be undertaken, and in 1949, estimates were made





for a five-year plan for capital expenditures covering the period 1949-1953, to meet what was then thought to be adequate for that period. However, in that plan, the population for 1953 was estimated at 165,000, but in 1953 the actual population was 183,411; so we guessed wrongly. The estimated amount of capital expenditure for the period was \$41,000,000. The actual expenditure was more than \$71,000,000.

I might say we were not the only ones who guessed wrongly. We had some briefs presented and some surveys made in those years, impartially and independent of the city and the civic administration, and they likewise guessed wrongly. I refer specifically to the Chamber of Commerce brief, in which they undertook to make certain studies in our behalf, which were most beneficial and helpful. Nevertheless in making their assessments and conclusions they did guess wrongly.

In 1953 another five-year plan was prepared. However, no record seems to have been kept of the estimated population for the five years, but the increase in capital expenditure was noticeably underestimated, as the following table will show.

You will notice that the actual expenditures were far in excess of the estimated expenditures. In 1955 the estimate was



\$15 million, while the actual expenditure we think will be over \$22,800,000.

You will also notice that when we drew up this plan we visualized that in 1956 we would be over the hump and that the capital requirements would be decreased by a good one-third, so we said the capital estimate for 1956 would be about \$10.5 million.

You will also see that we are wrong again, because when we asked our departmental superintendents not so long ago to give us their estimates for 1956 we found that they amounted to some \$27 million.

Obviously we are not going to request city council for authority to spend any such amount, because we will not be able to finance it; but I think we can tell you this morning that they will still be in the neighbourhood of the 1955 experience, which was about \$22 million.

Again, for 1957 I estimated \$10,280,000; but right now, as we look at 1956, we do not see that 1957 will be too much different.

Perhaps it would be interesting for me to relate here just what has been done in the last 4 years by way of public services. I have taken some illustrations here, which I have jotted down, in the matter of pavements, for instance. At the end of 1951 we had



108 miles of pavement in this city. At the end of this year we should have 230 miles. Then in the grading and gravelling of streets, at the end of 1951 we had 181 miles. At the end of this year we will have 340 miles. As to lane grading and gravelling and new lane construction, at the end of 1951 we had 82 miles. At the end of 1955 we will have 191 miles.

Then as to sidewalks, at the end of 1951 we had 391 miles. At the end of 1955 we will have 643 miles. As to the construction of curbs for streets and sidings, at the end of 1951 we had 66 miles, while at the end of 1955 we will have 414 miles.

As to boulevard construction, in the last two years we have accelerated our rate of boulevard construction. We are now building at the rate of about 60 miles per year of boulevard and boulevard beautification. Until about 2 years ago there was very little done in that regard. Prior to 2 years ago we had 200 miles. At the end of this year we will have over 325 miles of boulevards beautified and constructed.

With regard to sewer pipe installation, up to the end of 1951 we had 400 miles. By the end of 1955 it will be 527 miles. As you know, sewer installation is a very costly business. Roughly in residential development we find that the over-all cost of





sanitary and storm sewer installation is about \$8 per front foot. That is a very costly installation; and when you consider that an average lot now is around 44 to 50 feet in frontage, it is roughly about \$400 per lot in actual cost, which cost is shared by the home builder and the city at large in providing sewer installations to make possible the development that will go on that particular lot.

Then in regard to water pipe, at the end of 1951 we had 406 miles of water pipe, and at the end of 1955 we will have 533 miles.

I generally make the statement to meetings of citizens that it took us 50 years -- because we were only 50 years old in 1954 -- to construct and provide the services which I listed as being those available at the end of 1951, and we have doubled all those services in the last 4 years. There is the further fact that since 1946, or in the last 9 years, our population has just about doubled. As I have already said, in 1946 the population was about 114,000. The census figure as of May 15, 1955, as I have already related was 209,053.

So in the construction of these public services not only have we been able to keep pace with the new population which has been coming in at a rather abnormal rate, but I



believe we have caught up with some of the backlog that existed. Undoubtedly there still exists a backlog. We still require services at an ever increasing rate; but by doubling those services in 4 years while the population doubled in 9 or 10 years, obviously there must have been a backlog and obviously by doing what we have done, some of the backlog must have been caught up with.

I think the foregoing background information is sufficient for its purpose, and I will now try to answer the specific questions referred to in your letter of September 9 last.

As to population growth, the extraordinary growth in the population of Edmonton since 1946 and the consequent increase in the cost of providing municipal services and in capital costs are shown in the tables attached hereto as Schedule B.

I do not know if there is anything about which you want to question me on that particular point. These are just tables, and they indicate what is happening. You will notice that the increase corresponds very closely to the population increase.

Extensive investigation of this problem was undertaken in preparing the brief to the provincial royal commission. The statement of the facts and the statistical analysis involves many pages of the brief, but I may say the following facts were ascertained, namely:



- "(a) the population of the city of Edmonton was 197,836 in 1954; (NOTE: the population in 1955 increased to 209,353, according to the annual civic census completed on May 15, 1955;)
- (b) the population of metropolitan Edmonton as defined by the dominion bureau of statistics was approaching 225,000;
- (c) in that area there were approximately 52,000 children under the age of 10;
- (d) the population of the area had grown 35.4 per cent in four years 1950 - 1954, a cumulative rate of almost 8 per cent per year;"

The average for Canadian cities, as I recollect, is approximately 3 per cent per year.

- "(e) the birth rate of 31.2 per thousand and death rate of only 7.6 per thousand resulted in a natural increase of 23.6 per thousand in Alberta, the highest of any





province except Newfoundland."

From these facts the following conclusion was drawn, and I quote from that brief:

"If that rate of growth should continue for only 5 years the population of the area would rise to over 300,000. If it should continue for 10 years the figure would be almost 465,000.

On the other hand the average growth of Canadian cities seems to have been about 3 per cent per year. If that rate should be realized for the next five years the population would reach 250,000 and if it should be sustained for 10 years the population would be over 290,000. As already pointed out, however, the age composition of the Edmonton population makes it clear that the growth of this city will exceed the Canadian average."

That is only one factor, because the economics of the day will contribute to a further influx into the city.



"Under those circumstances a 1964 population of 300,000 is a most conservative estimate. Even if there is no net immigration to the city that figure would be reached shortly after that date (1964).

In looking ahead for 20 to 25 years, therefore, one must foresee for this area a population close to 400,000."

I think that is a very conservative figure; but when we plan public expenditures, where the public is asked to pay for what they get -- because we do not see any miracles in providing services without cost, and we hope we can provide the maximum possible services for which the public can pay -- we would rather be on the conservative side, when looking a long period ahead like this.

THE CHAIRMAN: That is a revolutionary idea as far as this commission is concerned.

MR. HAWRELAK: Twenty-five years is a long time. If we were to base our estimates for the future on the last 25 years we would have to consider many things that have happened, some of which were good and some of which were bad. So we would rather be on the somewhat conservative side in



connection with population growth, rather than be too optimistic. But we do consider that 400,000 seems like a very conservative figure. It might be closer to 450,000 or 480,000.

The submission on population to the provincial royal commission points out that 52,000 children under 10 is the number of children of the age group associated with cities of 300,000 according to 1951 Canadian census data. The brief says:

"....the significant point is that already living in this city are children of the numbers which correspond to a city of 300,000 and nothing except time is required for them to grow to maturity and become an adult population for a city of that size."

The developments of the past year have served to strengthen the city's views in respect to those predictions. From May, 1954, to May, 1955, the population of the city of Edmonton increased by 11,517, that of Beverly by 460, Jasper Place by 393 and other fringe development by approximately 500. The metropolitan total must now exceed 232,000. The continuation of merely the average Canadian growth of 3 per cent, or some 7,000 persons per year, would see





Edmonton's population 300,000 by 1965 and more than 400,000 by 1980, or 25 years hence.

Together with the age composition of the Edmonton population which alone indicates a growth in excess of the Canadian average, there are economic factors that appear certain to maintain a higher rate of development.

Since 1947 an estimated \$1,375,000,000 has been spent on oil field exploration and development in Alberta. That activity is not at an end. Development continues apace and the imminent construction of the trans-Canada pipeline is expected to increase the tempo of gas exploration and the construction of gas-gathering systems.

Northern development, upon which Edmonton has long depended as the recipient of goods and services, continues. Not a year passes without the discovery of new deposits of base metals, copper or uranium, or the enlarging of known deposits. Communication and access has been the obstacle to the surge of activity usually associated with such development. Recent roads and the probable linking of Edmonton to the further north areas by rail will make the north even more valuable to this city.

The effects of the enlarged St. Lawrence seaway will be felt far beyond the shores of lakes, and although we cannot attempt



to measure its importance, it will provide a significant stimulus to the economic development of the west.

As previously indicated, Edmonton is historically the centre of an important agricultural community and we believe it will remain such, but the discovery of gas and oil, and the subsequent development of petrochemicals has introduced into the Edmonton area an industrial development which, impressive as it is, nevertheless does not represent the full impact which even yet can only be estimated.

To indicate the tremendous investment in refineries, petrochemical plants, pipeline terminals, other buildings and structures, in the metropolitan area, it is estimated that to the end of 1954 a sum of \$400 million had been spent; a further \$85,000,000 is said to have been spent in 1955, and it is estimated that in 1956 a sum of \$100 million will be spent.

I am speaking of the area. I think perhaps at this point I can relate something of our own experience within Edmonton proper. In 1953 our volume of building permits exceeded \$55 million, for both commercial and residential development. That figure ranked third in Canada, behind Montreal and Toronto.



In 1954, which was last year, our volume of building permits increased to \$65 million. Again we ranked third in Canada. I do not know how we rank in the United States and Canada in 1954, but I do know that in 1953, when our volume was \$55 million, we ranked 18th in the United States and Canada, including New York and Chicago and all the other big cities in the United States, and of course Montreal and Toronto in Canada.

These figures I have related here do not include any of the developments which have taken place within the city. In 1954, for example, some \$15,300,000 of commercial development took place within the corporate limits of Edmonton. That figure, of course, is included in the \$65 million figure I have given.

It is also interesting to notice the nature of the growth of the industrial development in this area. The development started first with refineries and other plants dealing directly with the natural resources such as oil and natural gas. In dealing with these, certain by-products were produced. Other plants were then established by different companies to make use of these by-products; then plants of a complementary and servicing nature were established. This process is continuing and expanding and in our opinion





will continue to expand.

The lack of markets for oil is holding back full development in this area, but when these markets become available there will be another large forward thrust of expansion and investment. In the case of gas the policy of the senior government, in allowing export, has resulted in much preliminary activity and pipe-line manufacturing firms are seeking sites in the metropolitan area in order to establish businesses of considerable size. In turn, these will attract other businesses to the area. Under these circumstances a prediction of 400,000 population in 1980 is, we think, very conservative.

As to future physical requirements, in terms of accommodation and services, of the present standard, an increase of 175,000 people over the next 25 years will involve the construction of more than 500 miles of streets; almost 500 miles of sidewalks; 450 miles of sewers, 450 miles of water mains, and the construction of 180,000 utility services of all kinds. In addition it means the provision of some 1,100 schoolrooms and of 3,200 hospital beds.

When we talk of sewer and water mains, on a per capita basis any expansion and extension will be much more costly in future than perhaps it has been in the last 7 or 8 years. For many years we were what we call a sprawled-out city. We were quite small in



population but large in area, with services in pretty well all parts of the area. It was that extension of main and lateral services that cost money.

In the last several years we have been able to fill in this framework that has been built up here over a period of time; and it is my personal opinion that as we continue to grow some of the per capita costs may be higher in providing some of these services. That is just an observation.

I might also say here that we filed a brief, I believe it was 2 years ago, with the board of Transport Commissioners, during their survey and investigation into the question of the railway grade separation fund, which as you know they administer. They have been trying to have that fund increased, in which they have been successful. In that brief when we appeared before them, as I recall it -- and we will get you a copy of it; this just came to my mind this morning -- we recommended that we would require in this city within a reasonably short time some 7 subways, all of which cost money. I believe the cost as we had it -- and this will only be approximate, because I have not seen the brief for a year and a half -- was about \$6 million.

I thought that should be included



at this point, because it is something which we will require and which is not mentioned in this brief. Those are subways for grade separation at railway crossings.

Such a programme suggests expenditures in the nature of \$300 million over the next 25 years for schools, hospitals and general capital requirements.

By way of comparison I give a statement showing capital expenditures of a similar kind for the periods indicated. You will notice that this schedule pretty much indicates just what has been going on prior to oil discovery. In 1946 we had a total of \$1 million of new capital expenditures for hospital and general services. In 1955 it was \$15,232,900, or roughly 14 times that which was spent in 1946, prior to the discovery of oil.

In the matter of utility extension it has increased from \$1.5 million to \$7.5 million, or by 5 times. One of the reasons for the relatively lower relationship there is the fact that we had this framework of some of the utilities established to serve a larger area, and in some instances it just meant filling in.

As to public schools, in 1946 the expenditure was \$116,000, and that has gone up to \$3,750,000. For separate schools





the expenditure has increased from \$143,000 to \$1 million in 1955.

I think an examination of that table indicates very clearly what has happened in this city in regard to capital expenditures, and I might say that the fact that the money was spent indicated that the people required the services, and that there was need for those services.

Within our present experience, 175,000 people would occupy 7,200 acres of land for dwellings alone. To be realistic one must assume that before this happens Edmonton will experience considerable vertical growth similar to other cities of comparable size, but the modern trend is horizontal development to avoid some traffic concentration problems. In the submissions to the provincial metropolitan commission it was made clear that under present zoning, the 1954 unallocated reserve of 1,171 acres of residential land would be exhausted by 1957. Plainly, the majority of the anticipated growth must therefore take place outside of the present corporate limits of the city of Edmonton.

As I recall the debate before the metropolitan commission, there was no contention as to the acres in reserve, but there was contention on the part of the opposing group appearing before the commission as to when it



would be exhausted. We said in 1957; they said in 1958. Well, even if it is 1960, the fact is that it is going to be exhausted, and we are going to continue to grow.

If we are to assume that the industrial-residential ratio presently experienced within the city of Edmonton is to continue, the population expansion anticipated in this brief will require industrial land of 1,500 acres. To make this assumption, we must surmise that the composition and nature of future development will be similar to that which is presently situated within the present limits of the city of Edmonton. In other words the land per employee ratio will remain as it is today. If we can, and it appears logical that we must, assume large developments in petrochemicals, gas and oil processing or allied industries, all large land use per employee industries, then the figure must be drastically revised upward. The land requirements of the larger fringe industries surrounding Edmonton are examples, where 100, 200, 300 acres and more are not unusual; that is, for the established of a particular kind of industry.

As to labor force, the increase in population of the city of Edmonton and the Edmonton area has effected a comparable increase in the labor force. The following table indicates the statistics available from



the 1951 census for the city of Edmonton and 1955 estimates for metropolitan Edmonton. The categories are those of the dominion bureau of statistics.

I am not going through them; they are on the page before you. You will notice, though, if I may draw your attention to the table for 1980, of course that is based on a population of 400,000, but the fact is that an analysis of the two tables would indicate a doubling, or the twofold increase, of the manufacturing industries in this area. That would be an economic factor which we should mention, and which I think would contribute to a greater increase in population in addition to that of the age groups which we mentioned earlier.

It is therefore not surprising that, over the past four years, and perhaps even in the past decade, the more noticeable gains are in the categories of oil and gas, manufacturing, construction, trade, and services; the latter being a broad designation including government, health, education, hotels, restaurants and others. If we assume the continuation of the present proportion of labor force, the future city of 400,000 would have about 166,500 available for employment. If we make the further assumption that future oil and gas development will not require a larger force than presently utilized; and that





while residential construction will decrease, commercial and industrial construction will continue so as to retain the employment of the present force, trends in the various categories suggest an employment pattern similar as indicated.

In these estimates, the categories of electricity, gas and water, transportation, trade, finance and service, have retained their proportional position in the labor force. The employment totals of mining and construction have remained about the same as the present but manufacturing employment has more than doubled. In this latter respect we point to an increase of almost 85 per cent in the past 4 years as the justification for such a prediction. We feel that future development of primary industries and subsequent secondary developments will create this employment.

The Edmonton of 1980, we are confident, will remain the centre of Canada's great northwest, a metropolis of more than 400,000 people, the focus of a balanced agricultural, industrial and commercial economy, a community going forward with Canada to help the dominion to maintain and to ensure its place of prominence in world affairs.

The foregoing information indicates the difficult problems, perhaps of a somewhat special nature, which this community now faces and must face in the future. No doubt you will find throughout Canada many municipalities which



have to meet similar problems and others which have problems of a different kind but equally difficult to meet.

The point I would like to mention here is the fact that we are growing at an abnormal rate. This is caused chiefly by the economic expansion. This economic expansion is costing the taxpayers of Edmonton a large amount of money. It is costing them at such a rate that it is quite difficult to foresee just how they can continue to provide the extensions of these services without seriously jeopardizing the credit rating of municipal borrowings. There is no doubt as to that.

In other words the municipal level of government here in this city is certainly shouldering a very important cost in the development of a gross national product for Canada. It is a cost which is in proportion perhaps larger, relatively speaking, than you will find in most other places in Canada.

There is, however, one problem which is common to all municipalities in Canada and that problem concerns the relationship between the municipality and the senior governments, with all this implies in relation to taxation and function which, in turn, is of vital importance in any study of Canadian economy.



There is no doubt that any capital expenditures a municipality makes in the improvement of services assists in providing the facilities necessary to increase the gross national product, which we seem to regard in Canada as being the yardstick of our progress and development from time to time.

You are doubtless aware that, consistently throughout the years, municipal governments everywhere in Canada have contended that they were being required to assume burdens, such as education, social welfare, including pensions, health and hospitalization, indigent relief, beyond their capacity to meet from the limited municipal tax base, primarily derived from municipal taxation of lands and buildings. In all provinces of Canada, commissions and boards of inquiry have been appointed from time to time to inquire into provincial-municipal relations, and I believe in every case the contention of the municipalities was considered well founded. While the senior governments, in some degree, have tried to meet the problem -- some provinces by widening the tax base to permit municipalities to collect income tax, sales tax, amusement tax, etc.; other provinces by way of increases in grants -- but in general, it may reasonably be said that this problem has been dealt with on a patchwork basis.

We as a municipality, and I may







say that I am speaking also as vice-president of the national association of municipalities, feel that one field in which the federal government can perhaps relieve the municipal authorities is by exempting them from paying sales tax on municipal purchases. We do not think it is right that the senior level of government should tax the most junior level of government on the purchases it makes to serve the people who pay the taxes to all levels of government.

THE CHAIRMAN: Would you feel differently if you were able to tax the senior levels of government on their buildings in your cities?

MR. HAWRELAK: We think there is a principle involved, and they are two different principles. We think the senior levels of government ought to pay taxes on their buildings because there is a service which is provided to those buildings. If they do not pay, of course the burden is heavier on the people within the community.

The sales tax feature is something else again. It is something which they have already exempted the provincial governments from, when the provincial governments purchase goods for services within the provinces.

We do not see why the municipal level of government should be taxed in that



particular way. That is our view, municipally speaking, throughout Canada. We have made presentations to the federal government, and I feel that in fairness to them I must say that we have made a little progress. They have indicated this by exempting one or two items of purchases, especially in connection with civil defence; but there is room for that principle to be enlarged and broadened, and we think in the main there is a principle involved of one level of government giving service, because they do not give us a service in collecting the sales tax on our purchases, certainly not the service which we give them when we ask them to pay taxes on their property. They are getting something from us for nothing.

THE CHAIRMAN: What does it mean; what does it amount to in total?

MR. HAWRELAK: The sales tax feature?

THE CHAIRMAN: Yes.

MR. HAWRELAK: I don't know. As far as we are concerned in Edmonton, about three years ago it would mean about \$350,000. What it means nationally I cannot say, although it would not be too difficult to make an estimate.

The municipalities consider that, whatever assistance has been given, has not been adequate, and they contend that the problem should



be dealt with as a whole and on a proper basis, namely a fair distribution of the tax dollar as between the three levels of government, federal, provincial and municipal.

It is in this respect, that I make some special observations. It was my privilege to have been appointed as the municipal representative from Alberta to attend the dominion-provincial conference on tax rental agreements held in Ottawa October 3, 1955. I attended the conference in that capacity and after hearing the proceedings I feel that there is considerable analogy between the subjects discussed at that conference and some of the subjects with which your commission has to deal. For this reason I would like to quote certain statements made by the Prime Minister and the premiers of the provinces at the said conference.

If I might go back to the question of sales tax for a moment, when we speak of senior governments, or governments paying taxes on their buildings, we mean the provincial and federal governments; all the senior governments. I would like to make sure I made that clear.

Prime Minister St. Laurent stated that the objective of the tax rental agreements is to make it financially possible for all the provinces, whatever their tax base, to perform their constitutional functions themselves and to provide a reasonable Canadian level of





provincial services without an abnormal burden of taxation.

The important position of municipalities in the Canadian democratic way of life and in the national economy was recognized by the Prime Minister and by all the provincial premiers. In this connection, while dealing with federal investments and the growth of Canada, Prime Minister St. Laurent said:

"Quite considerable sums will have to be invested in the growth of Canada in the next few years. The proper financing of this growth will require the maintenance and development of a sound and effective revenue system for all levels of government...."

"We realize, too, that the Canadian people demand more of their provincial governments and of their municipalities. It is these competing demands for expenditures which lie at the centre of the problems we must consider. I turn now to the question of fiscal arrangements -- the heart of our problem. It



arises, fundamentally, from the fact that the public now expects both levels of government, to do things which require high taxes. The people expect and demand -- and are willing in the last analysis to pay for -- some basic minimum of public services in all parts of Canada."

All provincial premiers stressed the importance of municipalities in the Canadian system of government and in the Canadian economy, but I refer particularly to the statements made by Premier Frost of Ontario, by Premier Duplessis of Quebec, and by Premier Manning of Alberta. Premier Frost stated:

"Provincial and municipal activities are adding, and will continue to add, greatly to Canada's gross national product, and that all revenue sources which can be adjusted to the needs of the provinces and the municipalities are of importance"

and that he believed that

"in the days ahead the provinces and the municipalities will be the right arm of development and



expansion and that their fiscal strength will add immeasurably to the fiscal strength of our country and to the revenues of all levels of government."

Premier Duplessis said:

"The first question on the agenda is the problem of federal-provincial fiscal relations; in other words, the equitable and appropriate division of federal and provincial revenue sources. The vitality and progress of a genuinely national harmony as well as the development of Canada, of the provinces, of the municipal school and parish corporations are intimately connected with the solution of this financial problem, and further, that attention should be focused on the serious problem facing municipal corporations and also school and parish corporations. Their sources of revenue are decreasing proportionately to the increase of the federal sources of revenue. Ottawa today is taking more than 75 cents of each dollar paid by the Canadian





taxpayer, leaving to the provinces and the provincial public corporations less than 25 cents of each dollar. Let us always remember that municipal corporations and other public corporations of a provincial character form an essential part of our democratic way of life."

Here I also refer to page 43 of the Manitoba provincial-municipal committee report issued in 1953, where table 14 shows the increase in the total of all taxes levied in Canada (1939-1951) and the division thereof between the three levels of government.

I have not the 1931 breakdown of what happens to the Canadian tax dollar, but as I recall it, it is as follows. In 1931, out of each dollar a Canadian paid in taxes, the federal government received 40 cents, the provincial government 20 cents, and the municipal government 40 cents. In other words we and the federal government had about an even break in 1931.

In 1951 the story is different. The federal government received 70 cents of that dollar, the provincial government received 19 cents of that dollar, and the municipal government received 11 cents. We lost heavily



in that deal, from 40 cents to 11 cents in that period of 20 years.

THE CHAIRMAN: I do not suppose you would suggest that that form of arithmetic is the only one by which to make these estimates. There are obviously expenditures which the federal government has to make these days which they did not make before the war.

MR. HAWRELAK: We are not questioning that at all; we are just outlining the position.

THE CHAIRMAN: Just dealing with percentages?

MR. HAWRELAK: That is right.

THE CHAIRMAN: Very well, as an exercise in percentages; we will take it that way.

MR. HAWRELAK: I may refer you also to the percentage increases in the dollar volume from 1939 to 1951. It looks as though the federal government received a sevenfold increase; the provincial government received a threefold increase and we received a onefold increase at the municipal level.

I hope we are not conveying a picture of the federal government receiving money for which we are not getting service. That is not the point at all. The point is that, as I hope to bring out in my summary, we have had certain responsibilities to start



with, as municipalities. These responsibilities were increased and broadened, but the tax source to meet them was not broadened in the same relationship. We think that is the crux of the presentation we would like to leave with you.

In his address to the conference, when dealing with the rapid economic expansion of Alberta, Premier Manning said:

"It is only fair to point out that the impact of the rapid economic development strikes very heavily at the level of the municipal government. There are necessary additional expenditures in the way of highways, bridges, buildings and so on, but the municipal governments feel the impact of the growth of their communities which forces them to make unavoidable capital expenditures which they can only make by greater provincial assistance because their own sources of taxation, limited as they are, are I think right across Canada up to the maximum figure that they can go."





From the foregoing quotations, it seems clear that the senior governments recognize the importance of municipal governments in our democratic system; in their contribution to the gross national product, and in our Canadian economy, and that the present municipal tax base is insufficient to enable municipalities to perform their proper function in relation to modern demands.

I bring this to your attention because we hope that the principle of the fair and equitable distribution of the tax dollar among all levels of government in proportion to the part which each is required to perform will be adopted and put into operation throughout Canada as soon as possible.

It is believed that everywhere in Canada the greatest burden upon the municipal tax base is that of education, but I also point out that the burden upon municipalities of meeting expanding social services is also increasing, particularly in the field of health and hospitalization. In this connection and for the information of the commission we attach revenue and expenditure statement for 1954, as schedule C, showing, for instance, that school requirements constitute 27.33 per cent of the total municipal expenditure.

Another feature which disturbs municipal authorities is that which may be



called the matching grant system. To illustrate this feature, I mention in the case of the federal government the offer to pay an equal share with the provinces of the cost of providing hospital bed accommodation; and in the case of the province, the offer of the provincial government to pay an equal share toward the cost of establishing a system whereby citizens can obtain which is generally referred to in this province as "dollar a day" public ward hospital accommodation. In these cases the purposes are obviously of great social benefit, but the municipalities are not consulted before the legislation is considered and are placed in a position where it is difficult not to accept the offer, and yet to do so puts an added burden upon the overloaded tax base. It may further be added that such equal share offer does not coincide with the share of the tax dollar mentioned by Premier Duplessis and as indicated in the extract from the Manitoba brief above quoted.

Another feature of the grant system, including some grants which start as a species of matching grant, should be mentioned, because in some cases the government contribution is not increased in proportion to the increase in the cost of supplying the service. For instance, the provincial government established grants toward the cost



of hospitalization. After the grant was established the hospital per diem rate increased but the provincial grant still remained the same, with the result that the municipality had to meet the increase in cost. In 1954, this increase in cost in all categories of hospital patients to which the city had to contribute totalled \$101,467. This discrepancy has been to some extent overcome by an increase in 1955 in the provincial contribution toward hospitalization from 50 per cent to 60 per cent.

A somewhat similar situation arose in connection with the dominion-provincial government grant toward the cost of hospital bed construction. When this grant was first established construction costs were at a certain figure. These rapidly increased, but the dominion-provincial contribution remained fixed. The city was glad to obtain from the dominion-provincial government grant a contribution toward the cost of the construction of the Royal Alexandra maternity wing; nevertheless, because of increased hospital construction costs which had occurred since the establishment of the dominion-provincial government contribution and the time of construction, the city had to assume the whole of such increase.

It is of course realized that if costs had decreased, the situation would be reversed, but under present circumstances such







reverse situation seems unlikely to occur. However, if grants were based on a fixed percentage then both parties would share in any increase in cost and would equally share in any decrease in cost, and any irritation arising by reason of one party having to absorb an increase in cost would disappear.

If I were to briefly summarize what we have tried to convey to you in this brief, I would repeat what I have said earlier; that we realize that the municipal level of government is a government under the jurisdiction of the provincial government. When we approach the federal government from time to time on matters that we think are federal, we also appreciate the difficulty the federal government has in dealing with municipalities directly because of the fear of encroaching on another jurisdiction.

Nevertheless we feel that the municipal level of government must be a recognized level of government. We feel, too, that perhaps of all levels of government the most important is the municipal level.

You would not call me prejudiced, would you; but it is the first level of democratic government dealing with the every day problems of its citizens. It is closest to those citizens. It is in more direct contact with the citizens it serves.



So I think in our Canadian way of life there should be no doubt that the municipal level of government is a necessary level; it is an important level of government. It must have responsibilities, which it has; but equally it must have the financial wherewithal, the financial resources, with which to meet those responsibilities.

We think that because the major source of revenue for the municipal level of government is property taxes, and that because in the last few decades the responsibilities of the municipal government have been broadened and increased, not entirely by the invitation of the municipal governments, that the end result now is that these responsibilities are there; these charges and costs are there, and if we are to meet these costs we can only increase the taxes on our property owners.

We believe the optimum has been reached in that regard, and that there are some charges we make, some payments for municipal services, that ought not to be properly charged to property taxes.

So, equally as important as are dominion-provincial government conferences, we believe that throughout Canada the municipal level must be recognized, and perhaps there is room and need for a new look into the field of where the municipal government really is.



Maybe there is room for a reappraisal of the various functions and responsibilities of the municipal government, to make certain that in the new look, the new appraisal of functions, the financial resources are there to make the municipal level of government autonomous, because I think it must remain so. I think there is no doubt that we should not allow this level of government to slowly drift away to a point where it is controlled by another level of government in fields which it ought to occupy.

Perhaps it is time when, with the concurrence and consent of the provincial governments of Canada, and with the consent of the federal government, we should become a party as a municipal level of government to a tripartite conference to consider some of these fields of responsibility to see where we do fit in and where we might get adequate tax resources to meet these responsibilities.

We in this particular municipality have been growing at an abnormal rate. This has caused high costs and burdensome costs upon our taxpayers. We have had a problem of expansion. I might add that it is a good kind of problem to have, a problem we look forward to having in all municipalities.

Nevertheless it is a problem. There are problems that are bad problems, and





of course they are quite different. This is a good kind of problem, but it is still the problem of finding the requirements to meet it.

I think there is need for re-allocation of these responsibilities, and that there is need and a very genuine requirement on the part of our municipality to continue to receive capital grants for certain capital improvements, because of the nature of and the need for those capital improvements, which are due to the rapid expansion of our economy.

It is also necessary to see that any capital funds required, which are not given to us in the nature of grants of assistance for a particular capital construction, should be provided to us at a low cost. I am going to give an example of what happens elsewhere, not because I am in agreement with it but to indicate the importance of making funds available for capital expansion.

In the United States, as you know, the income derived from municipal bonds is income tax-free. Personally I am not in favour of that, but I am only mentioning it to you to indicate that they do recognize the need of low cost money for municipal expansion in the United States.

We believe that likewise in Canada there should be provision made for low cost money. In our province here we have been



very fortunate, due to the oil expansion, in being able to obtain these capital borrowings from our provincial government since 1951, as I have indicated. Whether we can continue to obtain them at the same rate for the next several years, no one can really tell, because the provincial government can only lend the funds if they have them. We pay an interest rate which is not high, but it is something we have to return.

In speaking of the municipal level of government generally throughout Canada, it appears to me that there is need for something to be done on a national basis. Perhaps it should be the reenactment of the capital improvements act of 1938, which is still on the statutes of the government of Canada. That may need some amendments or some changes to meet the needs of municipalities in Canada as a whole.

These are some of the observations and conclusions which, on behalf of the citizens of Edmonton, I would like to leave with you.

I hope that the information and observations contained in this brief will be of assistance to you.

We realize how difficult and complex your task is and also that your findings and recommendations will have a great influence in



guiding Canada's economic future. We hope and believe that you will have due regard for the important place which Canadian municipalities occupy in our system of government, in the part they contribute to the gross national product and in the economic life of Canada; and that, bearing in mind the position of the municipalities and other factors, you will be enabled to achieve that solution of the problems which will ensure to all our citizens an equitable share in those increasing social and economic benefits which our Canadian economy seems destined to achieve in the years that lie ahead.

All of which is respectfully submitted, gentlemen.

THE CHAIRMAN: Thank you very much, Mayor Hawrelak. We will mark your brief Exhibit 56.

I think there are probably some questions that each of us would like to ask, but perhaps I might begin on the question of capital requirements. It is clear, perhaps not in a city the size of Edmonton, that it is difficult for some municipalities to raise their own capital funds. Some of them cannot raise them at all; others would have to pay very high rates of interest. In your case you have worked out this system of borrowing from the province. What rate of interest do you pay,





and what are the terms of repayment of the borrowings?

MR. HAWRELAK: The maximum is 20 years now, and that carries an interest rate of  $3\frac{1}{2}$  per cent. The shorter the term the lower the interest rate. I think the minimum is  $2\frac{1}{2}$  per cent for a 5 year period.

THE CHAIRMAN: We have heard, and you mentioned it again, that one solution might be for the federal government to provide capital funds for certain purposes. Do you feel that it is a better solution for the federal authorities to provide funds to municipalities, rather than have those funds provided from provincial government sources?

MR. HAWRELAK: Well, in my own opinion I do not think the federal government will provide it from their own resources. I think they will ask the provincial governments in each case to guarantee the repayment of municipal borrowings. But I think there is something to be said for having the federal government make provision on behalf of all provincial governments to enable the respective municipal units to borrow money from them.

THE CHAIRMAN: But being guaranteed and therefore supervised by the provincial government?

MR. HAWRELAK: I think there is no question as to a requirement of that kind.



THE CHAIRMAN: The federal government could not be dealing individually with every municipality in the country?

MR. HAWRELAK: No, I do not think it is right. I think it ought to be through the provincial government.

THE CHAIRMAN: And apart from that, I suppose the municipal organization or the municipal set-up differs from one province to another; and as you say, it would seem to be logical that it should be done through the provincial government.

MR. HAWRELAK: That is right.

THE CHAIRMAN: On the question of current revenues you mention two things, the sales tax and the desirability of municipalities being able to tax provincially and federally owned properties. In addition have you any specific suggestions as to what additional revenue sources the municipalities should have?

MR. HAWRELAK: Well, we rather feel that some of the fields of responsibility which we now have should be relinquished in favour of the province.

THE CHAIRMAN: Which fields of responsibility should be relinquished?

MR. HAWRELAK: In my opinion the social welfare cost is a good field which the province should take over, and we think the



municipality should be relieved of hospital costs.

As president of the union of Alberta municipalities I have made several references to that in the last several weeks, indicating that in my opinion the patient receiving some of the hospital service should be required to pay, but we do not think there should be municipal participation.

THE CHAIRMAN: That is really what I wanted to get; that you would favour rather a transfer of responsibility for some of the services to the provincial authority, rather than the allocation of additional tax sources to the municipalities?

MR. HAWRELAK: It may well be that after very careful and thorough study it may require some of both. It may require an additional revenue source and also the relinquishing of some of the fields.

THE CHAIRMAN: On the question of fields there is one very important field for which -- I do not know what the system is here, but certainly in Toronto the municipality collects the taxes but it has no control over what the amount of money may be. I refer to the field of education. You are not suggesting that this is a field -- or are you suggesting -- which might be transferred to the province?

MR. HAWRELAK: In fairness to our







provincial government I must say they have come a long way in 1955 in meeting the tax burden on account of education. I think they have attacked the problem quite squarely and have come a long way in their 1955 budget to help meet the cost of education in the municipalities.

MR. GRAUER: Aside from the question of the pressure of municipal revenues, do you feel the provincial government could better administer social welfare and hospital functions within the province?

MR. HAWRELAK: I think they can administer it well.

MR. GRAUER: Just as well?

MR. HAWRELAK: It is a matter of opinion.

THE CHAIRMAN: It depends on the municipality.

MR. STEWART: I have just one question with reference to your suggestion regarding funds provided through the federal government for capital expenditures. I would suspect under those conditions that the volume requested at any one time could very well appear excessive. What sort of arrangements do you visualize for the rationing of capital funds under these conditions?

MR. HAWRELAK: Well, I think that would be something the provincial government



must determine in dealing with their own municipalities. I can visualize that in the case of Edmonton having need for these vast sums of capital moneys, the provincial government undoubtedly will be cognizant of the need. When you start paring down the requirement, there are certain things you can get by without and certain things which you must have, which are essential. It will be up to the provincial and municipal governments to determine.

In the province of Ontario they have what they call the municipal board. Any municipality desiring to borrow goes to this board and says, "Here is what we require" and the municipal board, something like our own public utility commission here, considers and discusses and investigates the need for that capital borrowing, and they approve it or otherwise. When they have approved it, that would seem to indicate that that is the kind of money that municipality should borrow.

In other words you should be able to convince other people of your need. I do not think it should just be a case of wanting; it should be a case of needing, and you should be able to convince these people with whom you are dealing that you need it.

I cannot see anything else. It may well be that some provincial governments



will require larger sums than others, but if they guarantee the repayment of the sum to the federal government, it will be just one of those things that are required.

THE CHAIRMAN: The guarantee would insure the repayment?

MR. HAWRELAK: I would think so. I definitely think it would, because there will be a tendency on the part of the provincial government to be careful and cautious.

THE CHAIRMAN: Thank you very much indeed. You have given us a very good brief and a lot of good ideas, and we are most grateful to you.

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---Recess.

---After recess.

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THE CHAIRMAN: The next brief will be the submission of the Alberta division of the Community Planning Association of Canada, which will be presented by Mr. Gertler. We will mark this brief Exhibit 57.

MR. GERTLER: Mr. Chairman and members of the commission, you will observe that we have taken as our text the questions which the chairman of this commission has himself raised, as we feel that in those questions the major issues in urban development in the next period of years have been raised.

I shall not dwell too much on the first section of our brief, dealing with population growth, because this obviously is a matter which requires statistical analysis; and in the type of brief we have prepared it has not been possible to do that. So I feel our views on this subject are perhaps not as valuable as they may be on some of the other aspects.

That is so, except to say that in looking at the positive and negative factors determining growth in the urban centres of



Alberta, particularly in the major cities, it does seem to us that for a long time we are going to be faced with the typical problems of rapid urban development.

Concerning the location of industry, the question was asked:

"Would it be better to try to encourage industry to decentralize?"

We have considered this question in two different contexts; in the context of city-centered regions, and in the context of the province as a whole.

Industry is the major generator of urban land uses and so, in the second context, the question posed becomes, from our viewpoint, reformulated as follows:

"Will more efficient and satisfying environments result from the further concentration of industry and population in our large centres, or from the dispersion of some of the expected industry to smaller centres?"

There is much to suggest in the history of urban development that size is one of the factors determining the cost and quality of life in cities and towns. It can be



demonstrated that the per capita cost of government increases as the size of cities increases, that problems of traffic, parking, housing supply and of integrating the functional parts of communities are intensified as cities grow. From these facts has emerged the double-edged concept of optimum growth, implying on the one hand an attempt to define and implement by a green belt, a limit to the physical extension of the city, and on the other hand an attempt to locate industry and encourage new towns on favourable outlying sites within the city-centered region.

From the viewpoint of the province, as a whole, we favour decentralization of industry because it is both a means of diversifying and strengthening local economies, and of equalizing, through the broadening of the tax base, urban facilities and services, throughout the province. We do not, however, hold any brief for forced industrial location, at sites which do not meet the locational requirements of any industry.

"What action needs to be taken to redevelop existing depressed or slum areas in our cities?"

We wish to bring to the attention of the royal commission certain special features





of the blighted areas on the limits of the central business district, in conformance with the typical pattern of the older eastern cities. Congestion and physical deterioration in these areas has not gone as far as, say, Montreal or Toronto. This is due, in part, to the nature of the original dwellings, which were mainly single family, and in part to the use of these areas by a steady stream of new immigrants, whose rents provide revenue and make possible a certain amount of repair and maintenance on old houses. There is the additional effect of the horizontal spread of central business districts due to the sheer growth of the area as a whole, and to the limits on vertical expansion in the form of skyscrapers, because of proximity to airports. As a result there has been a steady conversion of the fringes of the blighted areas to business developments of high quality.

A second feature of urban blight in this province is the widespread occurrence of fringe slums, arising out of the spilling over of urban development beyond city and town limits in the years before the establishment of a province-wide system of town and rural planning. While population densities in these areas are not high, by slum standards, they contain a large backlog of extremely substandard housing and substandard community facilities and services. These areas, we believe, deserve as



as much attention in the way of rehabilitation and redevelopment as the central slum areas.

The next question concerns the pattern of city growth.

"Will the limits of our cities continue to be pushed outwards with the building of single unit suburban housing, or will there be a shift to multiple housing in the central areas -- a building up instead of out?"

The extent to which cities in Alberta will push outwards will depend upon:

- (a) The age structure of the population.
- (b) The degree of effectiveness of planning administration.

The building of multiple housing in central areas will be determined by: (a) The amount of financial assistance for clearance and redevelopment from senior governments; (b) The extent to which assessment and taxation is correlated with zoning, and (c) the particular pattern of growth toward which our cities are striving.

If, for example, in the Edmonton area we are successful in achieving an optimum size and of accommodating part of the demand for



single-unit housing in new satellite centres, then for a number of reasons redevelopment of central blighted areas will be stimulated. First, if growth is limited on the fringe, developers will turn their attention to the rebuilding of central areas. Second, as the optimum of the central city is approached, the population is distributed throughout the region, the quantitative demands will decline, that is, the demand for roads and sewer and water lines in new areas, and the city will accumulate capital or credit which can be devoted to qualitative investment -- the improvement of conditions in the older areas through redevelopment.

The questions raised by the chairman of the royal commission suggest a concern for the quality of the urban environments that will be created. From that viewpoint, the unlimited extension of suburban development raises basic questions about its effect on the urban community as a whole. Given our present habits and preferences in the way of housing, we must recognize that there will be, for a long time, a considerable diversity in housing demand, based on age, income, and location of employment. In this light, central multiple housing cannot be considered as a complete alternative to single-unit suburban housing. If we are concerned about the effects of suburban development, then we must give consideration to







our basic goals in city and town development, and to the forces which determine the over-all pattern of urban development, particularly to the location of industry.

"With the reducing length of the working week, what will be the requirements of the population -- and particularly of the urban population -- for their leisure time?"

We can visualize a number of tendencies and needs arising out of the expansion of leisure time, particularly if it takes the form of a long week end.

1. City dwellers will not want simply more of what they already have, that is, community centres, sports fields, museum, etc., but we may expect an actual change in the demand for recreational facilities. For one thing, recreation may become more country-oriented. With longer weekends there will be a tendency for interest in and enjoyment of the countryside to grow, and municipalities will have to think of providing recreation on a regional scale at the sites of lakes, along streams, and in other rural locations. Rural municipalities may be faced with the accommodation of a great expansion in summer cottage development.

THE CHAIRMAN: What are people



going to do in the wintertime?

MR. GERTLER: That is a particularly pertinent question for this part of the country.

2. With more leisure time, home ownership will increase. The greater scope of pursuing hobbies, crafts and artistic interests in a home of one's own, will increase the interest in home ownership. Or alternatively, there will be a demand for recreational facilities attached to apartment and other forms of multiple housing development.

3. There will be a greater tendency to supplement income by outside employment, or by living on agricultural small-holdings.

The interest in settling near the city on arable land that may be cultivated, if necessary, is already evident in the Edmonton and Calgary areas. With a shorter working week the opportunity for giving proper attention to horticultural activities will certainly increase and with it the opportunities for supplementary income. The extension of small-holdings development will affect traffic patterns, and will create problems of servicing and finance for rural municipalities. Some conception of the impact of small-holdings is given in a report by the Edmonton district planning commission, here appended.

"How do the municipal



authorities expect to cope with the increasing traffic problems?"

We wish to emphasize that our traffic problem is a product of the relationship of land uses in the city. As a consequence, basic solutions to the problems are to be sought, not in the multiplication of ingenious mechanical devices, which although necessary now we regard as a symbol of failure, but in the creation of proper relationships between the functional parts of the city. Since peak traffic movements arise primarily out of the journey to and from work, much can be done to relieve the traffic problem if housing accommodation in the vicinity of localities of employment bears a close relationship, in terms of cost and size, to the needs of the employee group. Carried out consistently, as an aspect of sound community planning over the whole urbanized area, in new development and redevelopment, this approach would eventually result in a considerable reduction in the time, cost, inconvenience and annoyance of work travel. Similar beneficial results would arise from co-ordinating the location of closely related industries.





"Are the financial resources of the municipalities adequate to provide the kind of services that quite obviously are going to be needed."

It is our view that while the financial capacities of the urban municipalities in Alberta, as elsewhere, will depend to a great extent on the nature of their revenue sources, their economic position will significantly be affected by the way in which they are developed. There is no doubt, for example, that the financial problems of Calgary and Edmonton are in some part due to an extensive post-war development on the basis of 4 or 5 single-family dwellings to the acre. Each taxpayer has had to pay a price for his space and for a low-density development. Because higher densities would result in lower municipal costs, there is a great need for some qualified national agency to experiment in the different forms of housing accommodation.

"Will the municipalities be able to develop the kind of administrative organizations and the personnel that will be needed to handle their increased responsibilities?"



It is our opinion that many of the major responsibilities of the municipalities, as presently constituted will, in the future be beyond their scope. For example, how can a city provide new housing for people displaced from cleared areas if all the suitable building land is outside its limits? How can a city provide recreational facilities on a regional scale? How can a city provide a ring road, essential to the efficiency of its traffic system, if the best location of the road traverses many political jurisdictions? How can a city maintain orderly and economic growth if development beyond its limits seriously affects its ultimate size and shape, the volume of its traffic movements, and the structure of its land uses? How can a municipality pressed for revenue-bearing assessment honestly decide whether it would be better for industry to decentralize?

These questions suggest that in the period ahead many of the basic responsibilities of urban municipalities will be, on the one hand, beyond their financial capacity and, on the other, will have repercussions, when they are met, which go far beyond municipal boundaries. For this reason, it appears to us that two of the great national tasks of the next quarter century must be:

- 1) The reorganization of local



government in such a manner that the major development problems of city-centered regions can be more adequately solved, administratively and financially.

2) The development of an approach to urban problems, at provincial and national levels of government, consistent with the pronounced shift of our population to cities and towns, so that in time these governments may contribute as much to sound urban growth, as our departments of agriculture have contributed to the conservation and right use of arable land.

I wish to say on behalf of the Alberta division of the Community Planning Association that we very much appreciate what this commission is trying to do. If in your future studies in this province there is anything we can do in making contacts with appropriate agencies, or supplying information, we would gladly do so. Thank you.

THE CHAIRMAN: Thank you very much, Mr. Gertler. We are grateful to you for this brief and also for the additional information and reports with which you have been kind enough to supply us.

MR. GUSHUE: Has the Community Planning Association of Canada, that is the national body, begun to give attention to some of these problems which you regard as national







in their scope?

MR. GERTLER: Yes; at least their literature is peppered with discussions of these problems. I do not know whether they have gone much further.

MR. GUSHUE: You do have meetings of the national body from time to time?

MR. GERTLER: Yes; and the association does produce a quarterly journal and news letter, both of which deal with these problems. I suppose it is a major medium of public education on these issues. I think that is probably its primary role.

MR. GRAUER: On page 6, where you are dealing with the heading "location of industry" you say:

"There is much to suggest in the history of urban development that size is one of the factors determining the cost and quality of life in cities and towns."

Is there anything much in the way of actual proof, or is that more a surmise?

MR. GERTLER: No, I have personally made some investigations into the subject. I have, for example, the figures prepared for the municipal-provincial committee of Ontario on cost of government in Ontario, and it has been



possible to group these cities and towns in terms of size groups, and then to note the relationship between the per capita cost of government and the size of these cities and towns; and the curve produced is an upward curve. That is, as size increases, cost increases.

MR. GRAUER: That is a per capita cost?

MR. GERTLER: Yes. I also have similar figures based on all United States cities of 25,000 people and over, which show a similar curve, although the amplitude is not the same nor is it exactly the same in all respects. But what it does show is that in particular case the cost goes in a series of steps which reaches plateaus after certain levels and then jumps drastically. A particularly drastic jump is in the 500,000 category.

I realize that the other aspect of this question is the service side. That is, are these differences in cost simply a reflection of differences in services, and I think to some extent that is true, and the statement must be qualified to that extent.

However, if you examine the question I think you will realize that in the nature of things that is not the only determinant of this relationship that we have found. For example, in this area the provincial



department of health, through investigations of the effect of sewage disposal on the North Saskatchewan river, have determined that with a population of 220,000, which has already been reached here, the pollution of the river would reach such a degree that the city would have to go into secondary treatment of its sewage.

This represents an investment of \$6 million, which is 2 or 3 mills on the tax rate. Certainly this is a sheer cost of growth. It cannot be said that the man in the subdivision is better served by virtue of this extra expenditure.

I think similarly in other aspects of municipal finance one can detect the results of the sheer burden of growth.

MR. GRAUER: Would there be any difference in the per capita income according to the size of the cities?

MR. GERTLER: I think perhaps that is more a function of the local economy rather than size. For example, I understand that the city of Lethbridge has a high per capita income, and that is probably related to the nature of its economy rather than its size. It would not follow that other cities of similar size would have similar incomes.

MR. GRAUER: Yes; there is a particular reason for that. There are all







sorts of individual considerations which would have to be taken into account. In Ontario, for example, I believe there is more diffusion of industry among smaller towns in that province than would be true perhaps in other provinces, which no doubt would influence the situation both on the cost and on the demand side.

THE CHAIRMAN: Thank you very much, Mr. Gertler.

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THE CHAIRMAN: The next submission, which we will mark as Exhibit 58, will be a brief to be submitted by the Alberta Institute of Agrologists, which will be presented by Dr. Hilton.

MR. MILTON: Mr. Chairman and gentlemen, it is a privilege for the Alberta Institute of Agrologists to be in a position to present a brief before this royal commission. With your permission I would like to summarize the introduction before dealing directly with the submissions as contained in the brief starting on page 3.

The professional organization known as the Alberta Institute of Agrologists is greatly concerned with the future development of the Canadian agricultural industry, and of course with the degree of stability accompanying that development. This implies, naturally, a concern with the maintenance of the productive capacity of our prime basic resource, the soil, and also with maintaining an adequacy of water and nutrients to make the best use of the soil resource.

This seems particularly important to our institute, because the apparent food surpluses of the present time will almost inevitably disappear and be replaced by real deficits as world increases



in population occur.

I have used a point system in summarizing this introduction, as follows. First, that we anticipate that the agricultural economy of Canada will continue to develop in terms of the gross national output. Further, we anticipate that a conservative estimate of Canada's population by the year 1975 will be 22.5 million.

The second point is that in the recent past our manufacturing industry has increased at a rate greater than our agricultural industrial development. It is anticipated that this lagging development of the agricultural industry in relation to the manufacturing industry will continue for some time in the future.

A third point is that Alberta, alone in Canada, has 20 million acres of arable land, land that is potentially cultivatable for agricultural purposes. If we exclude from this amount three-quarters of a million that is irrigable, the remaining arable land is not of as high production potential as that we already are using, that which is already in our agricultural economy.

We may anticipate future land use development to occur in two directions. The first of these is an intensification within the presently developed land areas,





and this can be brought about with higher input and higher labour use. The second development we might anticipate is an expansion beyond our presently used lands, and this is into areas now forested, and into the field of increased irrigation development.

Then we think there is a likelihood of an increase in meat production, because as our population increases, if we maintain our present per capita consumption of meat a fairly substantial increase in production will be required. This may or may not take care of our increased consumption; and population may or may not take care of increased meat production; but it is unlikely to take care of our increased production of cereal grains which presently are exported, and we anticipate a continuation of requirements for exporting cereal grains into the future for some continued period.

Because of this requirement for exporting an important part of our agricultural production, we feel that a reliance on this trade may be somewhat awkward as our industrial expansion continues and indeed speeds up.

For instance, we may no longer anticipate a relatively smooth interchange of basic food products and other basic resources in exchange for manufactured



articles from other countries. Indeed, the reverse might be necessary, for our manufacturing potential is rigid, and we may find ourselves in the position of having to accept possible raw food products from countries which are themselves attempting to develop their industrial potential.

Under the heading of capital requirements in agriculture we have noted the following.

Since there may be limited capital available for investment in agriculture, and since it is desirable that the productive capacity of our present cultivated lands be maintained, new capital investments in agriculture should be made on presently developed and settled land where relatively small capital inputs would result in a comparatively large increase in production. The development of forest areas, which are generally near the economic margin for cultivation, would require rather larger capital outlays in relation to the production which would result. Similarly the development of irrigation projects would also require large capital investments. Moreover, the per capita costs of public services would be considerably higher in the new areas than they would be in areas already settled and this would further increase the capital requirements. For these reasons it



would seem unwise to adopt subsidies or systems of price supports which would unduly hasten the settlement of forested lands or encourage premature irrigation developments.

Apart from international commitments involving the immediate utilization of certain waters, the expansion of additional irrigated acreages in this province should be curtailed until the acreage now under water is more fully developed. In cases where large acreages of irrigated land are now being used for grain production, it is often lack of capital that is preventing the development of a more intensive type of farming based upon livestock and feed crops. In the case of the most intensive type of irrigation farm based upon specialty crops there is a lack of opportunity for further investment and development because of limited markets for the crops which can be grown.

Such policies should not only result in maximum production in relation to amount of capital in agriculture but they would also have genuine conservation value. A great deal of technical knowledge is still required to enable the wisest and most effective use of the forest and irrigation lands remaining to be developed. If these lands are developed slowly new techniques







should be available to farm them more profitably. In the meanwhile, they will not have been deteriorated by misuse nor would their products have further complicated the already difficult task of marketing Canada's surplus agricultural production.

With the more intensive development of our presently cultivated lands, it would appear necessary to have available some source of long-term agricultural credit for investment in those factors which go to make up a more permanent and efficient type of agriculture. In some cases this investment may well be for breeding cattle or other livestock, machinery, land improvements such as drainage, levelling, clearing or buildings.

Under the heading of alternative uses of presently undeveloped areas we have noted the following.

In view of the large wooded areas considered to be suitable for farming and the continued pressure for settlement, and in view of the low productivity of these soils particularly in relation to present surpluses of farm products, it is felt that the development of these forested areas should not be undertaken until market conditions warrant. In the meantime therefore, alternative uses for these areas should be immediately considered. These may become



very important by reason of industrial development such as the need for lumber and newsprint, and also because of deliberate policies designed to develop the recreational amenities of forest and stream areas. I refer particularly to the development of parks, provincial and national, and their use by tourists and the local populace. It should be observed that proper forest management enhances the contribution of these areas to developed agricultural lands in terms of watershed conservation and the control of water. Some grazing in the forest may be of benefit to farmers on the fringe of settlement.

Forest resources in Canada represent products that will continue to be very important exports into the predictable future. These resources have been reduced rapidly in Alberta by use, by fire and by policies that encourage clearing for agricultural production. Industrial growth and population increase, together with expanding export of forest products, will result in greater need for such products. Present needs, therefore, are for intensified forest protection, for enlarged forest research facilities and staff, and for the establishment of systematic controlled harvesting. The expansion of research into



the maintenance and industrial utility of forested areas as non food-producing assets appears to be particularly urgent.

The development of stable lumber and/or pulpwood industries can be visualized as having the salutary effect of providing off-season employment for workers in food-processing plants and others engaged in seasonal agricultural fields, as for example in southern Alberta irrigation districts.

This concerned our institute a great deal, and we gave some thought to the possibilities of combining our concern with forest areas with possibly arriving at a solution to the development of seasonal labour that takes place coincidental with the development of certain phases of agricultural production.

This may call for rather careful planning at the policy level, and may even make necessary the encouragement of forest industries that would be willing to operate on a seasonal, in this case a winter, basis. We felt that certain policies could be fairly readily developed that would encourage such operations. It is suggested that this represents a feasible solution to the increasing problem of profitable employment for the seasonal labour force.

Under the heading farm labour,





we say farm labour cannot be viewed apart from the continued tendency toward mechanization of farming in this country. The increased use of machinery tends to replace labour which is thereby substituted out of the farm production process. As a result both output per man and the productivity of labour are increased and it is therefore important in the over-all view that this movement of labour should be allowed to continue. However, some hired labour is still required in agricultural production and the supply of this labour will partly depend upon the extension of certain social security measures to this group to the same extent that these are now available in other occupations. I think it is well understood that they do not have access to anything approaching the same social security measures.

At present, farm wage earners, both immigrant and non-immigrant, have been leaving farm employment. Industrial development has been accompanied by improved working conditions, more social security by way of pensions, health, accident and unemployment insurance; better housing through low cost National Housing Act loans; and more home and family amenities through instalment buying. The agricultural wage earner, on the other hand, has not been provided with these



advantages to the same degree and unless proper provisions are made for him along these lines he will continue to gravitate to industry.

The farmer will then have to depend upon a less experienced, less capable, less ambitious type of man for his labour supply. This will tend to increase the farmer's cost of production.

Under the heading of agricultural research and extension we say that further increases in agricultural output and efficiency will depend upon continued agricultural research and the extending of the results of this research to the farm level. The organization of agriculture which is based on the family size farm is unique in respect of research since this unit is incapable of performing any of these functions for itself. This has been recognized and agricultural research has always been a public matter as have extension services which convey the results of new research to the farm level.

The efficiency of agriculture will continue to be a public concern for two reasons. In the first place, domestic consumers are concerned that their food requirements should be produced as efficiently as possible so that food prices will tend to be correspondingly low. In the second place,



agricultural produce will continue to be an important item of foreign trade and in order to compete advantageously on the world markets Canadian farms will need to use the most efficient and low cost practices that are available.

With regard to farm efficiency, it seems safe to assume that during the next 25 years there must be more emphasis given to the management aspect of farm operations. The newest techniques of crop and livestock production are well ahead of general adoption at the farm level, but the techniques of combining the various farm enterprises into an efficient and profitable unit are less well understood. It is suggested that this emphasis upon farm management should occur at three levels, as follows:

1. Research. Either by diversion or addition, more research resources will be required in surveys and studies in the farm management field in order to provide a sound basis for action.

2. Education. At the university level, curricula we suggest should be amended to provide more training in this field, probably to the extent of a major course in farm management at the undergraduate level.

3. Extension. Implementation





of the above suggestions would undoubtedly provide (a) a sounder basis for an extension action programme and (b) more adequately trained personnel to conduct such a programme. At present extension personnel trained in the orthodox manner feel inadequately prepared in the field of farm management and therefore shrink from its applications in extension work. It is believed that in-service training will always be necessary but a more thorough academic training supported by adequate research will do much to make the graduate as confident in this field as he normally is in the sciences relating to farm production.

The success of any research and extension programme depends upon scientifically trained personnel. At the present time there are insufficient qualified agriculturists to fill the positions in the current research and extension programme. At the same time the present registration in agricultural colleges appears to be inadequate to provide for even the present requirements. Since future agricultural development will be based on many uncertainties, it is suggested that the supply of trained agriculturists is becoming a matter of concern and its implications should be taken into consideration.



In conclusion, our institute feels that the important relationship between agriculture and the national well-being of Canadian citizens cannot be over-emphasized. We also feel that increased efficiency and stability of our industry is basic, and that use of our land and water resources should be paramount in developing policies relating to the future of agriculture.

All this, Mr. Chairman, is respectfully submitted under the signature of our president, Mr. Graham, who regrets very much his inability to be here today.

THE CHAIRMAN: Thank you very much. One of your opening premises or conclusions was a suggestion that a time may come when Canada will have to accept agricultural products from other countries in exchange for our manufactured goods.

I may have misunderstood that. It seemed to me a new thought, to us at any rate. I wonder if you would like to expand that a little for us. Do you think we are likely to import any great quantity of agricultural products from other countries; and if so, when?

MR. HILTON: Well, Mr. Chairman, in the past we have imported great quantities of agricultural products, and presumably will do so in the future. Those have been in the



form of out of season foods, and foods or agricultural products used here in one way or another, such as vegetable oils and so on.

THE CHAIRMAN: We have heard two suggestions of the need for protection of Canadian agriculture. Yesterday we heard the suggestion that there should be a quota on the importation of vegetable oils, and in the maritimes we heard that there should be a restriction placed on the importation of potatoes. I would think if the time ever came when there was any likelihood of any further large scale importation of agricultural products, the same requests for protection would be heard. I am just wondering what you think of it.

MR. HILTON: We are certain the requests for protection will be heard. The fact that we do not mention it here indicates that we feel that we are not concerned with either requests from local groups or with the political implications of such policies and trade agreements as might be developed. We have deliberately stayed away from that, though the implications are there.

What we do feel is that if our manufacturing industry develops to the point where it does seem necessary to accept certain products, perhaps on no larger scale than we are presently accepting them, we should watch







carefully our own production potential to see that we do not get into serious surplus difficulties.

THE CHAIRMAN: Later in discussing price supports there is a sentence which I marked -- you were kind enough to let us have an advance draft of this brief -- which reads:

"For these reasons it would seem unwise to adopt subsidies or systems of price supports --"

Then you carry on:

"--which would unduly hasten the settlement of forested lands or encourage premature irrigation developments."

To the extent that price supports did not encourage the settlement of forested lands or encourage the premature irrigation developments, would you have any views about them one way or the other; or do you think they would automatically lead to that?

MR. HILTON: A price support worthy of the name; a support of industry, no matter how small the unit may be, I feel must inevitably have an influence on those



other factors. Some of my colleagues, and perhaps experts in one field or another, may have a different idea.

THE CHAIRMAN: Perhaps we can get a little guidance from the University of Alberta on these matters as we proceed. In connection with your remarks about irrigation, your views, as you know, are not exactly the same as some other views that have been put forward to us.

MR. HILTON: I realize that.

THE CHAIRMAN: We have heard views all the way from the suggestion that the irrigation projects should be cut right down until it could be demonstrated that the irrigated lands were needed, and needed for the purposes for which they were intended, to proposals that there should be a great deal more irrigation development.

MR. HILTON: Well, Mr. Chairman, it was on the basis of knowledge on our part that you would be receiving certain ideas concerning irrigation that we spent a great deal of time in discussing and achieving unanimity of opinion on this matter. We feel that it is quite important, and that it relates precisely to the development, for instance, of presently undeveloped northern lands which Alberta happens to have to a greater extent, in relation to its population



and area, than any other province.

MR. GRAUER: You make the suggestion that there might be seasonal -- in the sense of wintertime use -- use of forests in order to counteract seasonal unemployment. Has that been given any precise thought, or is that a general idea?

MR. HILTON: I am afraid I must say it is a general idea. We do know that as irrigation development continues, and it will continue, it is highly seasonal. So are the processing industries, which are coincident with irrigation; and we were concerned. Though the labour force has been absorbed, perhaps in a very scattered matter, we were concerned that as production increased, then the need would be greater for giving thought to off season use of this labour force.

MR. GRAUER: The need is certainly there?

MR. HILTON: Yes.

MR. GRAUER: On the point the chairman raised, about your suggestion that we might get into overproduction of industrial goods and have to take in agricultural products, I was not quite sure whether you meant products of the same type we already produce, or whether it was an extension of the things we get now such as citrus fruits and so on.





MR. HILTON: We can visualize pressures for taking in types we already produce, and produce quite economically. If the need for exporting industrial goods continues, we could visualize that such pressures might exist and become great enough so that -- well, potatoes are a case in point. We already permit reasonably easy movement of potatoes from the United States into Canada. That is perhaps not too good a point, because the United States industry is itself in an exporting position; but in areas that are not highly industrial it might be a case in point. When countries such as Australia attempt to develop their industry to the point where they are no longer likely to require the importation of industrial products, they might actually try to export their raw food products.

MR. GRAUER: Of course it is a generalization of that particular point that I think is already in the minds of some of the other countries, that if Canada goes in for a high degree of industrialization they will not be able to take our agricultural products or our raw products. That is another way of putting it?

MR. HILTON: Yes. We feel it may place a curb on our own exports and a direct control on our production, excluding our own



population needs.

MR. GRAUER: That is very interesting information.

MR. GUSHUE: You make the suggestion there that large wooded areas ought not to be developed. Are you referring there to crown lands or privately owned lands, or perhaps both?

MR. HILTON: Perhaps both. As it happens, our large wooded areas are almost entirely crown lands.

MR. GUSHUE: What would be the modus operandi of preventing development in the case of privately owned lands? Is there some bonus for clearing that could be withheld?

MR. HILTON: Yes, in some cases that is true. Certainly a deliberate policy of encouraging settlement of homesteaders might be halted appreciably. That has been in effect in the past. We feel the time has come to look at such policies very realistically and to rather establish by research a sound basis for use of the land when it is needed, rather than attempt to bring it into use, with the large capital outlays involved, when increasing the output of our presently occupied lands would seem to be a more economic way of handling the situation.

MR. LUSSIER: We were told in



a preceding brief that you have an area of about 75,000 square miles of forested land in the north. What is the proportion of the good farming land that you could get out of that forested area?

MR. HILTON: May I refer the question to one of my colleagues?

MR. LUSSIER: Surely.

MR. HILTON: Mr. Bowser, would you care to speak to that and give us the proportion of our presently forested lands that might be of a good arable nature?

MR. BOWSER: The estimate was made in the brief of around 20 million acres. For this purpose we divide the province into what we might call two areas, the accessible and the inaccessible. The accessible is where the present settlement is, and it totals about 65 million acres each way.

In that accessible area there is now about 20 million or 21 million acres cultivated, and we feel from the survey information we have that there is another 10 million that can be cultivated. Most of that is in the non-commercial forest area.

Then there is the other 65 million acres that is out in the beyond. That is all forested, and I might say it is an informed guess to say that when we take out the areas that we know are non-







arable -- muskeg areas, very rough lands and so on --- and make certain deductions from areas that we know, we arrive at a figure that there is possibly something in the neighbourhood of 20 million acres in that area which could be cultivated.

In other words you might have 25 million acres out of 75 million that might be figured as arable at some future date.

MR. LUSSIER: Less than 50 per cent?

MR. BOWSER: Yes.

MR. LUSSIER: You mention that perhaps a forest industry might help take care of the labour force which is working part of the time in the processing industries and so on. This would create what I call a transient labour force. As far as forest production is concerned, particularly in the east, the tendency is that the transient force could be more stabilized into the forest exploitation itself.

Moreover, we consider that for the proper management and treatment of the forests, such a labour force should be more stabilized; so much so that, as in Sweden, for instance, they have a forest labour force which works nearly twelve months a year in the forests, and they have a real forest community.



Do you think this would be good for your forest exploitation, to get that transient labour?

MR. HILTON: There is one important factor that perhaps is applicable to our conditions, more so than to Sweden or northern Quebec or Ontario or the maritimes. That is the inaccessibility of many of the forested areas during the summertime.

I can visualize a skeleton crew, or the crew necessary for reforestation or for afforestation in relation to open areas and road development; but it would be essentially a skeleton crew that could operate in many of these areas because of muskeg conditions. We require freezing. We had an early freeze up this winter, and that is why there was a big forest development up there.

The second thing is -- and we discussed this matter fully -- that the construction industries already have a relatively transient force. That is, they are working on a project in a certain place one month, and six months later they are working in another part of the province; so there is nothing too unusual about that. We felt that year-round employment on a



relatively transient basis was better than stability with no income for long periods.

THE CHAIRMAN: I have been trying to get your president to ask you some questions, but he says he has none.

As Mr. Grauer says, this is a most interesting submission, and we are very grateful to you. We appreciate all the thinking and all the ~~ideas~~ ideas that are behind it. Thank you very much.

We will adjourn now until tomorrow morning at 9:00 o'clock in Calgary.

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At 12:40 p.m., the commission adjourned.

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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

CALGARY, ALBERTA

November 24, 1955

Volume 12



Thursday, November 24, 1955.

CALGARY, Alberta.

The commission opened its Calgary sittings in the city council chamber, city hall, at 9:00 a.m.

Present:

Mr. W.L. Gordon, Chairman;  
Mr. Omer Lussier;  
Mr. A.E. Grauer;  
Mr. Andrew Stewart;  
Mr. Raymond Gushue;

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Appearances:

Mayor D.H. Mackay;  
Commissioner J.I. Strong;  
Commissioner D.E. Batchelor;  
Mr. E.H. Parsons, industrial  
co-ordinator;  
Mr. Lawrence A. Kindt,  
consulting economist;  
for the City of Calgary.

Mr. P.L. Kartzke, president;  
Mr. Ralph Diamond, statistician;  
Mr. H.R. Morrison, executive  
committee member;  
for the Canadian Petroleum  
Association.

Mr. E.D. Loughney, chairman;  
for the Canadian Gulf Oil Co.



Appearances - continued

Mr. W.C. Whittaker;  
for the Coal Operators  
Association of Western Canada.

Mr. J.E. Brownlee, Q.C.;  
Mr. L.H. Griffin;  
for the United Grain Growers.

Mr. R.S. Munn, president;  
for Burns and Company Ltd.

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THE CHAIRMAN: Well, gentlemen, shall we come to order? It is 9:00 o'clock; the mayor is here right on the dot, and we might as well start.

MR. MACKAY: First may the city of Calgary express its warm welcome to the members of the commission. I am afraid the weather is not of the very best, but we hope your stay in Calgary will be profitable from the point of view of the information you are seeking to gain, and that at the same time you will carry away with you pleasant thoughts about this city when your stay of a day or two, which we feel is all too short, is over. We know the tremendous task which has been assigned to you, and we hope you will take away a few pleasant thoughts of our foothills city.

THE CHAIRMAN: Thank you, Mr. Mackay. We have received your brief, which we





will mark as Exhibit 59, and if you would summarize it or present it in any way you would like, we would be very grateful.

MR. MACKAY: Mr. Gordon and members of the royal commission, Calgary was built on the foundation of extreme optimism over the possibilities of this part of the foothills of the Canadian rockies. We look back with a great deal of admiration to the visionary spirit of the original pioneers. We think of men like the then governor general of Canada, the Marquis of Lorne, who prevailed upon the authorities of his time and asked them to maintain this as a mounted police fort long enough to let the settlers come out here, because it was the intention that a settled community would ultimately take the place of the fort. Certainly the thinking of those men of those days has been justified in the years that have passed.

But we do feel, as we look at our past history and try as municipal officials to work out a pattern, that sometimes we could wish that the political framework of this nation had had as much vision associated with it as the men who went about the task of building our communities. Out of a spirit of compromise; in order to join the various communities that went to make up Canada, ultimately we came to the framing of the British North America Act.

We must recall that before there



could be any Upper or Lower Canada there had to be basic communities out of which these larger communities could grow; and before there could be any development in a federal sense there had ultimately, of course, to be Upper and Lower Canada and the Maritime provinces. So we feel that today the city has been relegated to the position of being the child of the provincial authority.

We do not believe the basis of that thinking was strong to start with; and as the years have gone by we feel that it is getting more and more out of line. We feel that municipal leadership and government should be a partner in government development, just as much as any other form of government; and if we are going to continue to hide behind the responsibilities of the British North America Act we are going to destroy the good that can come from what the fathers of confederation originally intended.

I am sure as those men sat down there in the Maritimes and framed the Act, they were not thinking they were writing the alpha and omega of government administration in this dominion; nor were they setting out in final form all the responsibilities that should be associated with various levels of government. They were trying to give us a framework or foundation upon which we could build; and we



would like to suggest, as municipal officials, that it is time we built just a little bit stronger, and that we recognized the fact that the municipal level of government should be given its full status as a partner in the whole framework, and not as one relegated to the status I have already mentioned, of a child being responsible to a parent in the form of a provincial government, which in turn will tell us they cannot handle our problems because they cannot get their own settled.

This matter has come up at various times ever since, at all levels of government, and we are continuing to suggest to this commission that in the building of this nation it is going to be necessary to give consideration to that point.

To illustrate an outgrowth that is coming from the British North America Act, one of the fields that sadly requires adjustment in the picture of Canada is the educational picture we find in this nation. As I have said in the brief, we do not have to point to other nations necessarily, but I do suggest that we can read consistently statements in the press to the effect that in the growth of this country we are constantly looking for executive leadership. We note that such leadership is not coming forward, and we naturally have to ask ourselves why.







If we take a look at other nations, we find them saying that wherever they can find talent and ability they are not going to allow the lack of material resources of the individual to stand in the way of that ability being brought forward and made useful. As a result some of these nations are bringing forward some exceptionally fine examples of leadership and as a result are building up their nations.

As a matter of fact I would point to a recent experience in Mexico, which by all terms of comparison with Canada, their standard of living and everything else associated with it, we would say would be far behind Canada. Yet if we look at the University of Mexico and see their theory and the theme they are working on, they say, "If we can get the very finest brains of our nation to work on the problems of our nation, these other things will follow and ultimately we will bring up the standards of our people."

As long as we do not take this approach, we do not think we are facing up to the situation. We believe we should take a long look at this matter of education and take advantage of the brilliance and ability of our people, rather than approach it from the standpoint of plain, cold economics. We have a feeling that we will be a much better nation if we can develop our



educational facilities, and thereby develop the brilliance of a great many more of our Canadian people.

That being so, where do we start? We say and believe that this whole half of the province is having a great many of its young people denied educational opportunities because we have not a university in the city of Calgary. We just have the very bare framework of the beginning, and we say that if we are to wait until Edmonton has completed its well rounded out university we could be kept waiting for the next quarter century for our university, which is so essential and without which we are going to have a lot of the required leadership denied right in our own area, because we must admit that is the only way we can look at education.

If we cannot have the buildings in the immediate future, certainly some pattern should be developed whereby every young man or woman who has the basic qualifications could go on to higher education.

They used to give, and in some cases still do give, endowments for universities, and many universities in eastern Canada got their start in that way. Through our corporation taxation system we are taking away



moneys that in the past might have been used for such purposes, so now we say it is very unlikely that there will be the endowment of any further universities in this nation, unless the taxation picture changes. So if we do not change our thinking we are moving toward a stalemate in education, and it will grow very slowly as an economic facet of our way of life. I say it was never the intent of the fathers of confederation that the British North America Act should provide a sort of hideaway for governments in connection with the responsibilities for education.

I point to another problem, in connection with hospitals. I say we are moving down the same kind of path in some parts of Canada, in connection with hospitals, and if we do not grasp hold of this problem now it can become another seriously thwarting effort to the development of our municipalities, because we find that originally people also endowed hospitals. In eastern Canada these large firms and wealthy families who used to endow universities also used to build hospitals.

Here in the west we have two provinces that have moved forward into the hospitalization picture; but in our own province, just to point up the situation, it is a pending problem; and it will become more





of a problem in other parts of this country.

We find in our hospitalization schemes that we are placing the municipal governments in this position; that we are looking to them to a very large extent to provide the facilities to train the nurses, to build the hospitals, and then to work out the cost of the services rendered to the public and work that into the municipal tax dollar.

We have stated, and we place our case before you, that there is no way that you can honestly associate municipal hospital costs with the property tax dollar. The municipal hospital service is that which pertains to the individual or to the family. How can it be argued that only those who have the money are entitled to this service? Yet on the other hand there are those who are denying themselves a great many essential things in order that they may become home owners. Why should they be saddled with the cost of hospitalization, at least beyond what would be their own family costs? Why should hospital costs enter into the assessment against property?

If these things keep going; if we do not find an answer to the problem of education and particularly if we do not solve the difficulty of providing higher



education in order to provide the leadership we are going to need; if we do not find an answer to the hospitalization question, it is not hard to perceive what it is going to mean in the years ahead, when it must cripple the chances of municipalities expanding in terms of what they should in order to handle the pattern of the next 25 years.

We are supposed to be building up all the facilities that are associated with a community. Yet by the time we get saddled with many of these services we find our hands being tied, and it is time they were untied.

I wonder if we could take a look for a moment at something else that is very important to the building up of our nation. We have a problem that is very close to us in this city. We are not asking this royal commission to answer all the problems of our city from the point of view of industrial development. We have an industrial coordinator; we have a department; we have a definite approach to this problem. But there are some insurmountable things that we as a city cannot overcome, and the commission can surely give some thought to how these matters may be developed.

We have a problem of freight rates. We believe we have to relieve our taxation picture. We have to build up the city



so it is an economic, self-sustaining unit, and something that can progressively look after itself. But when we look at western industry and say we are going to build, we run right smack into the subject of freight rates.

When we try to study this matter and have a look at the documents, we find ourselves buried in the network of one of the greatest and most fantastic lists of rules and regulations that it has ever been my duty to even take a superficial look at. Originally the freight rates were set in view of the competition of ocean-going vessels. Some of the companies, to meet that competition, moved into the ocean-going freight business on their own. Now, however, we have all sorts of varying rates.

Without enlarging on that point, leaving it in the brief as I have stated it, and leaving it to your own knowledge of how the situation has progressed, we find that now a new reason has been given for various rate structures across this country. We find that the little truck, that was originally just a municipal unit of operation, is now actually becoming a national unit of competition. We also find the St. Lawrence seaway coming into the picture to compete in this situation, in another aspect. Yet through all this the province of Alberta has remained at the very







apex of the freight structure throughout Canada.

Last evening I was speaking with some people from Toronto, and I spoke to one industrialist. He told me this: that they have had five rates on freight coming out of western Canada into his part of Ontario, and he has not paid one of them yet. He has simply said to them, "Gentlemen, if you want to put that rate structure into effect, I shall immediately transfer my business to the truck lines" and that rate structure has never been varied on the last five occasions.

It is all very well to argue that this is a matter of principle, but we are finding ourselves manoeuvred into the position that it is a principle based on the fact that they want that business, and there is no rate structure they are not prepared to meet in order to get it.

I can give you another example right here in our own community. We have a business that wants to locate in Calgary, and as a matter of fact it will be here within about 10 days. They want to locate in our city, in a location where one railway serves them; but they have a product that requires the services of both railways. The one railway smiles up its sleeve and says, "Well,



we have you where we want you, where you must do business with us" while the firm says, "We will not be doing business in Calgary unless we do business with the two railways."

The city has no reason not to allow the two railways to operate in and out of this area, but no; they cannot get those privileges, which they grant when it is convenient, and which they do not grant when it is not convenient. They protect one another's privileges at times also.

We submit this to show our point along these lines. We are saying it is about time we ceased to be subservient to the best interests of the railways, and time the railways were made subservient to the best interests of the nation.

This brings us to a bold suggestion that has been made before, but which has plenty of evidence to back it up. This brings us to the suggestion that the time has come when we should take a long look at the United States system and at our own railway pattern. If we do so, we find that in order to meet the competition of the trucks and all those other associated things, many United States companies have found it necessary to amalgamate their railway potentials. It is the only way some of them have been able to survive.



We feel that in our own nation we may be coming to the point where there is a definitely sound school of thought that can be applied to the principle of one railway system for Canada; that the Canadian Pacific and the Canadian National might well become instruments of Canadian national development. Competitive efforts of various kinds may be all very well under certain conditions, but when they stand in the way of sound national development of Canada, then I say it is time they were either relegated to the background in their thinking and in their operations, or else given to understand that in the interests of the Canadian nation perhaps the time has arrived when we should have one railway system that is operated by and for the nation.

That may sound like socialistic thinking. I do not believe it is. I believe there are national aspects of our way of life that we are fighting for and believing in all through the western country.

As I try to point out in other sections of the brief, if we are going to build east and west then there must be a spirit of co-operation, and there must be a willingness to set aside some of the privileges and some of the possibilities of individual advantage.

I have been taking a look at this industrial picture, but I would remind the







commission that agriculture is still our No. 1 industry here. We sit here in Calgary, which we call the oil capital of Canada. We get ourselves into an argument when we talk that way, but speaking financially we are the headquarters of the oil industry of this nation, not just of Alberta but the oil headquarters of the nation are located here.

Notwithstanding all that development in the province, however, agriculture is still our No. 1 business operation, our No. 1 industry.

We find that because of favourable world conditions and favourable conditions in our own country; because of man's inventive genius and his native ability, he has learned how to bring the best out of the soil, and has brought Canadian production to an almost unbelievable standard. But with that he has brought himself into a surplus position, and he is faced with the argument now that he is no longer able to just go on eternally producing, with the thought in mind that there will be a consumptive market for everything. The farmer is reaching the position where he finds that he cannot market what he is producing; that he is producing more of his product than the world market can absorb.

We are suggesting now that the finest agricultural minds of this nation have



to come together, not only in respect to our marketing facilities but in regard to our own basic agricultural pattern, to see what can be done to put the farmer on a good, sound, solid basis, because he is the core of this nation and probably always will be.

But, gentlemen, we have not found an answer yet, and I go back to my suggestion that we need the finest leadership and the finest brains we can find.

I say that for a specific reason; because in spite of the tremendous wheat reserves we have in this nation it is a rather tragic statement but true that there are literally millions of people going hungry every night in this world. Having that in mind, if we can find the answer to the question of distribution surely there is a market for everything this nation can grow, in order to raise the standard of living of people the world over.

Then we have a gas potential in the city of Calgary that is becoming more prominent every day. The discoveries being made throughout the foothills region suggest that in the gas industry we are in for a bright and in fact brilliant future.

We are in favour of the export of our gas, but not at the expense of the industries of our province. We would like to



leave that thought with the royal commission as you study the gas prospects of the west. We want to share this great and valuable asset that we have. It is a privilege; it is one of the modern amenities of life, and we would like to share that with the Canadian people and the American people as well. But we would like to think we are going to share it on a space heating basis. If it is going to be piped away to Ontario and to these other centres just to provide for industrial development, then perhaps we are not so wise in our thinking as to where our gas should go. We know that there will be industry concerned with the by-products of the gas at the source of the gas; but even with the gas going off to other parts of the nation we think it should be going for space heating purposes. It is the thinking of Alberta, particularly in connection with our natural resources, that we should not lose sight of the fact that these are non-replaceable resources we are talking about; that when they are gone, they are gone. The gas, the oil and the coal are fine things but, as I say, unlike lumber and the fisheries and things of that nature, they are not replaceable.

I speak of coal because Calgary is the centre of a coal marketing operation, and has been for a great number of years. No







city can just look at its own economic or geographic boundaries, the hub of its own operations. Every city is the centre of an area of some magnitude, well beyond its own limits. We look to Coleman, to Drumheller, to Canmore and even to the area in the vicinity of Hay river, with its great deposits of coal not even touched yet, and we find coal being rapidly relegated to the position of a natural resource for which there is no use. I do not think anyone will question the accuracy of that statement.

If we are going to develop the industrial potential of Alberta, it is going to require a tremendous amount of power. We know the city of Calgary has become the centre of the major hydro developments in this locality in the power field. The Bow river has been harnessed and reharnessed in order to develop every atom of power that can be found, and there are no further projects left on that river.

Thus we must move into another power field, and that will be either the atom or coal. Atomic power is without a doubt with us in the next quarter century, but there is no reason why the coal industry could not be made the core of a tremendous power development for this province. We would anticipate that surely some consideration would be given to using



this resource as a power source, and helping these centres along.

We would also suggest that the research facilities of the province and of the nation might well be applied to the by-products of coal. This is perhaps something of which I have more than passing knowledge, because I spent many of my boyhood years in the coal fields of this province. They say that it is possible to obtain a multitude of by-products, but that we are far removed from our markets and therefore we cannot take advantage of these by-products and cannot economically produce them.

Back we come to the question of what is the important thing. Is it important that these communities survive? Is it important that the coal industry amount to something in this nation? Or is it more important that the railways ignore these things, to the detriment of the coal industry and at perhaps to their own economic well being?

As a matter of fact I would point to a statement made by one of our very responsible government leaders within the last few days, to the effect that it is his opinion that Canada must now take another look at our tariff picture in eastern Canada in order to protect and insure the soundness and safety of eastern industry.



If his line of reasoning is sound and good -- and I have no reason to quarrel with his thinking at the moment -- why is it not just as sound to say that in the development of western Canada we should make sure that this freight situation and this railway situation does not become a stumbling block to the industrial development of the west. If the tariff is fair to eastern Canada, then some equalization pattern should be developed.

But, they tell you, equalization is a fantastic term. Is it? There are many products I can buy either in Calgary or in Montreal and pay exactly the same price in either city, because that is how they work out their business operations.

Look at how the car market has developed in the last few years. I can see no sound reason why a man in Montreal or Toronto should buy a car for anywhere from \$100 to \$200 less than I can buy it for in the city of Calgary. I see no reason why I should have to bear the impact of the freight charge when, if he paid \$25 more for his car, then the whole structure on every car sold in Canada would even out. Equalization is not an impossibility, as it is pictured by every person who feels antagonistic toward it. This lack of equalization, and I keep accentuating it, probably has had a great







effect on the development of western Canada.

I would like to take a moment to have a look at housing in the province of Alberta. House building is an industry, a big industry, one of the biggest in this nation; and it is helping to build the nation. But, gentlemen, it has been interesting to watch its pattern of development.

After the war there were physical limitations on the building of houses which were such that they set a definite framework which would in effect amount to a control. At that time higher down payments were required. Then as people in that financial group acquired their houses; as that financial source dried up, the base was broadened a little, the down payment was reduced somewhat, and another financial source was brought in. So it has been going all along.

I suggest to you now that the Central Mortgage and Housing Corporation should take another good look at its operations, and in the interests of the Canadian nation should again broaden the base.

It is all very well to say that the financial scheme should be based on twenty-year mortgages, but in this community, as in any other community in Canada, we can take you to homes that are not even built to the standards of Central Mortgage and Housing today,



and which have lasted for over 50 years and are still fine dwellings. We feel there is a line of thinking to be applied to lengthen the time of mortgages on houses, so the first payment may be brought down, and subsequent payments may be somewhat smaller. In that way we believe we would open up another opportunity to people to become home owners. This will not only maintain the house building industry. It will build the nation itself. This is an extremely vital project; and I believe Canadians think the principle of equal opportunity for home ownership should be applied right across this nation.

I would take another phase of the situation which is perhaps more important than a great many men and women in Canada realize; that is rental housing. I do not believe our thinking is anywhere near broad enough on the subject of rental housing. It is true that the government has established a 75 per cent subsidization scheme for rental housing, and it is a good scheme; but it has not been pursued by the provinces of this nation except in one or two instances. I think it would help if the royal commission would come forward with a recommendation as to what might be done in this rental housing field, because there are a vast number of our people in an economic strata of life where they will never be able



to own homes. It takes every dollar they have to try to be the breadwinner of the family. They would love to own a home, but industry is such that they will not be able to attain a position under our present economic system which would enable them to look forward to home ownership.

But surely they are entitled to have the modern facilities of life made available to them, and at prices that are within the range of their ability to pay. Governments have recognized this and have come up with the rental scheme, but it is not pursued across this country. In our own province we seem to find a certain attitude. I suppose the word is rather loosely used, but I would say it is a sanctimonious attitude, an attitude that finds its expression in a government saying that we must not be in the home picture; we must not invade the sanctity of the home. We can help out in many ways, but we will never be a part of the home picture. But I ask, are these people to have a roof over their head, and be in the housing picture of our communities?

We would be prepared, I believe, as a community to come into the rental housing picture if we could get the provincial government to open up its vision to what is needed in this province and make the money available so these rental housing projects may







become realities.

If we could do that, then perhaps we could even help industry develop within our own communities, because one of the great drawbacks is that an industry starting in a small way cannot give the return to an employee that might be needed or might be expected or desired. But if people could come into rental housing projects, even if they were associated with industry, where their rental would be geared to their income, it might be of great help in the development of industry in the Calgary area.

Now, gentlemen, I suggest to you again that we are not in any way trying to ask you as a royal commission to tell us what are the answers to our own industrial problems in Calgary. That is our job; that is something for us to work on. It is a job for our citizens to apply themselves to; it is something for them to help build up.

We do feel, however, in connection with some of these points that we are bringing to your attention, that we certainly are in need of Canadian leadership and Canadian thinking to build up our nation.

Let me take a look for a moment at the immigration picture, the immigration pattern that has developed, and I wonder if I can illustrate it for you. I



have in mind a man who at the present time is a draftsman in the oil industry in Calgary. His wife is now maintaining a little home, and they have finally got themselves established.

This gentlemen was a professor in a university in Hungary. He escaped from the clutches of the rulers of his country, and finally made his way to Canada. He has a very charming little wife, who was a ballet teacher.

Those two people got to Canada on the basis of coming here as agricultural people, and for over a year they pulled sugar beets in southern Alberta. If you can show me any relationship between a university professor, an artist in his own right and a very fine one, and a woman who was a ballet teacher and has been an outstanding teacher, and work in the field of agriculture, pulling sugar beets, then I yield my point.

I say this, that in order to get to Canada people are willing to say they will be agriculturists. They will do anything just to grasp the freedom of this nation. But naturally as quickly as possible they will try to fit themselves into the community picture of the cities.

In some cases that has been a very fine development. People such as those



I have mentioned have been worked into a very nice pattern, and today are happy people in our community.

I could point to many others, however, who are not happy. They come here with no agricultural background at all. They have migrated into our western cities as quickly as they were able to do so, and we do not have the industrial potential that will enable them to fit into the picture as they did in the countries from which they have come. They were definitely a part of the city way of life, and they want that here. We have not the industrial potential, and unless we develop our industry we will not have it.

We believe it is wonderful to have this expansion in Canada, but on the agricultural side we would like to suggest that there is still room for a great many more people in Alberta in the field of agriculture if we will go forward with some of the irrigation developments that have been outlined. It is true that we will have a tremendous productive potential if we open up more country, and some may ask what we are going to do with the produce of the new areas.

I still say, gentlemen, that with so much of the world practically





starving to death, there must be an answer to some of these difficulties which prevent the products of our fields going to the people who are in need of them.

Now, gentlemen, I point to another problem. We as Calgary people possibly are a little closer to it than many others may be. We were interested to learn, while studying our statistics, that nearly \$9 billion have been invested in Canada of United States capital and that over 3,000 United States institutions have established companies in this country. We have no feeling of alarm about that, because we believe that down through the years the Canadian and United States economies are going to come closer and closer together, while at the same time we believe the commonwealth economy will probably remain an important factor. So I say we feel confidence in the United States people and in our own British commonwealth of nations, so that this United States investment does not give us a sense of insecurity.

But we do feel that there is an alarming amount of our Canadian wealth moving into what you might almost call the export field. Surely our wealth is not continually going to pour out of our country. Surely there is a scheme that can be devised whereby we can plow back the wealth of our nation into



Canada in such a way that a great deal of our wealth will remain in Canadian hands.

We know other countries that say they would rather grow more slowly than Canada because they want to make sure that the control of the wealth of their nation remains within their own hands. That is a special policy in many countries; and while United States capital is allowed to come in, it is only on the basis that it may share the development but never control it. That is the thinking of other nations; and I suggest that while we want to see our country develop, we want Canadians to be shareholders in that development to a greater extent.

What is it that has taken money away? Is it our taxation structure? Is it the corporation tax structure, that has reached the point now where there is no money left to re-invest, where there is no encouragement to expand? Are we destroying initiative in this country? That, I think, is something this commission might study, to see if they could give a little direction to the Canadian government as to what might be an acceptable policy along these lines.

We certainly are an extraordinary country, as I say in the brief. We believe that Canada, because it starts at the 49th parallel and goes northward, is a long way



from the United States, which starts at the 49th parallel and goes south, and can build east, west, north and south. We cannot do that. We are defying all the laws of nature, as I point out in the brief, because we are trying to build an east and west economy on a limited front, whereas the Americans can build east and west because they can start with a north-south structure across the country. That we cannot do. A long time in the future that may be so with us, but it is not the case at present. So we must depend upon the rest of the world for the things we need, and also in order to sell the things we have. So I say we are an extraordinary nation, and our pattern always will be different from that of our American neighbours to the south.

Nevertheless in our financial developments surely we can work out a pattern by which we as Canadians are going to be much more prominently in the picture, retaining the wealth of this nation in the hands of the Canadian people, much more so than is the case at the present time. It is a big subject, but in my opinion it is a very important subject.

Another point that I think is relatively significant to Canadians, and certainly to Calgarians, is the development of







the tourist trade. This is a great industry for Canada and a tremendously important industry to the city of Calgary, for we advertise ourselves far and wide -- and correctly -- as the gateway to the Canadian rockies. Banff and Lake Louise and, with the development of the highways, Jasper as well, come into the orbit of the service that can be given to the tourist, of which Calgary will always be a very important part. This is one of those assets which is not depleting as the years go by. It is something that will gradually build itself up.

The trans-Canada highway has been an important step in trying to develop this tourist pattern of our nation. But, gentlemen, let me suggest to you that we still have a few lessons to learn. The old timers, as I call them, came out here a number of years ago and took a look at the scenery at Banff and Lake Louise. It staggers the imagination of the young man today to look at the Banff Springs hotel and the Chateau Lake Louise and, seeing these magnificent structures, to realize that they were built many years ago by men who must have had a vision of the potential beauty of these mountain resorts.

Somewhere along the line, however, we lost that vision and that desire. We find



that in other countries -- and I speak of our friends to the south -- where they have relatively moderate facilities and moderate attractions, they tie onto them a million dollar publicity effort and do a tremendous tourist job.

We, on the other hand, have a natural, God-given, million dollar asset, or I suppose a billion dollar asset; yet we make a very moderate approach to exploiting its potential. Banff, I suggest to you, can be a year round attraction, bringing people to this nation of ours from all over the world; and Banff is only beginning. If we will exercise the imagination which characterized the old timers and build up these parks into what they can be become, then we will open a field of opportunity for a great many Canadians in our nation.

I would ask you to look in a southwesterly direction, and I would bring to your observation, in connection with the tourist industry, and ask you to take a good look at one of the forgotten children of the national parks system. I tell you today that Waterton Lakes national park has a tremendous natural beauty, but it is almost completely lost in the shadow of its more illustrious sisters of this mountain district. Yet it deserves a position in any Canadian



picture far more prominent than it is given at the present time.

Now, gentlemen, I say this. We are on our way to a population of 40 to 50 million people in the period of time you have been assigned as a royal commission to deal with. I ask you to take a look at Canadian history. We want to see Canada grow as a nation, and not as a group of competitive units, the one thriving at the expense of somebody else.

We who live in the west want to get a sense of belonging. We have no inferiority complex at all, and I suggest to this royal commission that we do not look to the east as somebody to whom we belong, in the sense of having an inferior attitude. We have nothing like that at all. As a matter of fact we think we out here in the west can probably teach the east a few things about how it might be done.

We do feel that we must cease to be a spill-over spot, which is about all the west has been so far. If the markets of this nation are going to be associated with Ontario and Quebec, because between them those two provinces have the bulk of the Canadian population, and they have the primary market, and therefore the economics of business say this is where the nation will be. Does that







mean we have to wait until Ontario grows west and west and west, until it finally gets out here with its population before we will finally achieve our proper place? Does it mean that the maritime provinces have to wait until Quebec goes further down east before they can achieve their proper place? Do we have to wait until these two central provinces finally grow out from the middle, before we can have a nation?

Well, that may be the theory. Frankly, we sometimes get the idea that this is the way the thinking is going; that we are just a good market for the excess products they have, and out here they come.

Frankly, we in the west are a little tired of this. We believe we should have a freight structure in this country that would enable us to go into those markets on an even footing. That is all we are asking. Then we will take our competitive position with the rest of the Canadian nation, and will grow healthy along with it.

We can reach this ideal in Canada if we get a little statesmanship in the nation and a little less of the political expediency which seems rather rampant, in relation to what these things can and should be.

We think this commission can



reveal the picture as it exists in Canada today and as it can be. If we can bury the individual selfishness of groups in communities and in provinces in the good will and wholehearted endeavour to build a nation, a better Canada, then we will all become shareholders in the kind of future we envision for this nation.

Gentlemen, I submit this brief to you on behalf of my colleagues in the civic administration; Mr. Strong and Mr. Batchelor, our two commissioners; Mr. Parsons, our industrial co-ordinator; and we have had Mr. Lawrence A. Kindt as a consultant to look over our thinking and see whether or not it has been a presentation that shows that we as a city, in appearing before the royal commission on Canada's economic prospects, are not primarily interested in trying to place the needs of Calgary before you.

If you will study our brief you will find that our co-ordinator of industrial development has given you in the appendix an outline of our potential as a city. We submit this to you, not that we want to enlarge upon it but rather to show you and submit evidence that we as a city are prepared to do our share to build up this nation.

However, we do think these problems we have brought to your attention are the kind of problems that we as civic officials



think loom very prominently in the picture today, and we would respectfully request that they be given consideration when you are setting down the final pattern of what you will say about Canadian conditions and the prospects as you see them for the next quarter century.

Thank you very much.

THE CHAIRMAN: Thank you very much, Mayor Mackay.

MR. GRAUER: In what is a fundamental problem of the municipalities, the burden of your functions as compared with your revenues, I wanted to be clear on this aspect of your representations. You are advocating, are you not, that certain of the functions be taken over by the senior governments? I believe you mentioned hospitals specifically, and certainly some of the educational functions, and perhaps some of the welfare responsibilities?

MR. MACKAY: That is right.

MR. GRAUER: Do you think it can be done entirely through shifting the function from the municipal government to the senior government, or do you contemplate greater revenues as well?

MR. MACKAY: No; we think it is a healthy democratic principle to keep as much control on the local basis as you can. A centralized government may lead us down a rather serious road, and we do not care for





that. We appreciate what it means; we realize the significance of what can happen. We feel that if there were a reappraisal of responsibilities it would call for a redistribution of the tax revenues. We do not mind doing the job, if someone will show us sources of revenue sufficient to handle our part of it.

MR. GRAUER: In those areas such as hospitals, education and welfare, do you wish the administration of those things to remain in the municipality?

MR. MACKAY: I think it would be a healthy situation.

MR. GRAUER: It is more a re-allocation of revenue?

MR. MACKAY: That is right.

MR. GRAUER: With respect to research in connection with the by-products of coal, we learned in Nova Scotia that considerable research was being done there, and it was found that they could not compete in the production of chemical by-products through that means, with the present markets for those chemicals. The by-products of coal here would be substantially similar to those of oil and natural gas, would they not?

MR. MACKAY: That is right.

MR. GRAUER: And at this stage that would be pretty stiff competition right



here in Alberta, would it not? Am I right in believing that?

MR. MACKAY: Without knowing the complete field of the by-products of coal and gas, they are parallel resources; there is no doubt about that. Personally I would like to see a comparison of just what would be the by-products of coal as against the by-products of the gas industry. Sulphur might be an important by-product of certain gas development, where it would not be one of coal.

MR. GRAUER: There is one school of thought that seems to feel that when gas and oil are at their present price levels, coal cannot compete in the chemical field. I do not know whether or not that is true, but it has been contended; and if so, you might use coal at a later period for something for which it cannot be used now?

MR. MACKAY: Well, I still feel this, that if after research into coal they do come up with an answer that is uneconomic, that does not mean it is a final answer. There is still another approach, to get the overhead costs down and see what makes it uneconomic. Is it a freight problem?

MR. GRAUER: If you can get the chemicals in this area cheaper from natural gas and oil, it would not be a freight problem; it would be simply that there is a competitive



source of those products which is cheaper. I do not know what the situation is there. Could we get some information on that?

MR. PARSONS: Mr. Chairman and members of the commission, I can only say that we come back to what the province of Alberta have in their brief; that is, that we need a primary steel industry. When we think of that, we think of by-product coke ovens, and think possibly we should look at the coal problem from that point of view. As the mayor has already stated, they are parallel products. That has been gone into in the provincial brief so much that I need only say that we adopt that point of view, and we are suggesting a primary steel industry and the coking ovens and by-products therefrom.

MR. GRAUER: There was a suggestion in another province that the uses might be allocated; that is, natural gas used for certain purposes and coal for certain purposes; and on inquiry it turned out that the allocation would be done through price. If it is going to be done through price, if natural gas and oil are cheaper at a given point of time, that is it.

Mr. Mayor, I was intrigued with your suggestion that the country might possibly amalgamate the two railways because of the difficulties which you had in mind in dealing with the two separate railway systems. You had in mind that a sound national policy





might be worked out for the amalgamated railways.

What I am wondering is how you would arrive at that sound national policy. For instance, do you think that Toronto and Montreal and Calgary would be at one on what is a sound national policy?

MR. MACKAY: That is a big question. The thinking in connection with the rail problem is that Montreal and Vancouver are pretty well on a common basis. They stand at each seaboard, so they are very competitive with one another. With the St. Lawrence seaway coming along we will have ships coming right to Port Arthur and Fort William, which is going to bring another point of competition into the picture, where the meeting point is going to be very competitive.

So it does not seem to be unreasonable to suggest that if they cannot take what they have now and readjust it; if they have themselves so completely buried under a network of cross-interpretations of what they mean by a rail freight structure, then I say it becomes necessary to take a fresh approach to the problem, and I do not think it can be done in any other way except on a national railway policy programme.

MR. GRAUER: In arriving at that policy, would it be done through a board



representing the people?

MR. MACKAY: I would say a board.

MR. GRAUER: You still would have all the various interests to reconcile, would you not? That seems to be the basic problem.

MR. MACKAY: I am not suggesting that it is a small problem. I am suggesting that a reconciliation is possible. You take a great many products; as I say, you can purchase them down east and I can buy them out west at exactly the same cost, because the companies -- not the railways but the companies -- in setting up their financial structure, say they will market their products at prices which will include the anticipated freight charges, so it does not matter where it is sold; it is the same price. Yet while that works out with some, others say it will not work out here. I just have to ask why.

MR. GRAUER: In dealing with financial developments and industrialization your brief says on page 5 of the summary:

"It may even be necessary to resort to the use of social capital in order to provide the initial impetus for major industrial developments."



I wonder if you would mind expanding on that statement. I do not quite get the implications of it. Perhaps I misunderstand the use of the word "social" there in connection with social capital. In using the phrase, "social capital" do you mean capital supplied by the senior governments?

MR. MACKAY: Oh, yes. Our thought there was that we have our Canadian Industrial Bank, a federal institution, and we also have a banking system here in the province of Alberta, where they have found it advisable to loan sums of money as a primer for industrial development. It has been done many times, as a matter of fact.

I believe our thinking here is that we know of one or two major industries that could be established near Calgary, and have all the natural facilities up here, but which would actually require a primer by the federal government to start them, because they are industries that, for instance, could be very closely allied, in the event of danger, to the whole war picture.

MR. GRAUER: Thank you very much.

MR. GUSHUE: Referring to the first question which was asked, Mr. Mayor, as to the relative position and responsibilities of the three governments, municipal, provincial





and federal, I gathered that the point was that this was not something that could be done completely by what you might call negotiation among the governments, but would require a broader approach and a good look at the British North America Act, and possibly an amendment of that structure, which I think you have said is too rigid for the flexible development of the country?

MR. MACKAY: That is right. We make what you might call an annual pilgrimage to the federal government. The executive officers of the Canadian mayors association appear before the Prime Minister and try to lay these problems before him and his colleagues, to indicate just what our thinking is on them. We invariably get the standard answer, and I cannot dispute it at all, "Gentlemen, we have every appreciation in the world of your problems, but we would like you to understand that as cities there is nothing we can do for you. We must deal with your provincial government, and they in turn must deal with you."

We believe we made some headway at the last meeting of the provincial and federal levels of government, inasmuch as some of the premiers took along with them municipal officials to sit in, not that we had any part in the discussion, but we at last



had a listening brief so we could advise the premiers what we thought of some of these subjects under discussion.

That was about the first concession we have been able to get; but to get the federal government and the provincial governments to agree that there should be a third party sit down and discuss these problems with them -- they just say no, they don't want any part of that. The province says, "We will deal with you as municipalities."

MR. GUSHUE: You think some drastic surgery is required in the situation?

MR. MACKAY: That is a perfectly true statement as far as we are concerned.

THE CHAIRMAN: Thank you very much, Mayor Mackay. We are very grateful to you for your preparation of this brief and for the way in which you have submitted it.



THE CHAIRMAN: Now, Dr. Kindt, you have a submission which we will mark as Exhibit 60. As it is relatively short, I think perhaps the best procedure would be for you to read it.

MR. KINDT: Thank you, Mr. Gordon and members of the commission. We had hoped to make submissions on industrialization and a number of other things, but I think you are all aware of Alberta's economic prospects and of our thinking on most of these subjects.

However, there was one subject which I overlooked; that is a national farm programme and I do wish to read this submission, and I thank you for the privilege of doing so.

On the outside cover I have stated that the objectives of this programme are to balance the Canadian wheat economy; to maintain and increase Canada's position in the export wheat markets of the world; to conserve and restore the fertility of the soil, and improve the economic position of the wheat farmer. That is a four-fold programme.

This suggested programme ties the acreage equivalent of surplus wheat to the conservation of the soil and regards the fertility of the soil as a national asset.

Nothing short of a miracle





could correct the present wheat situation. Under a policy of laissez faire many wheat farmers in western Canada could lose their equity in the land over the next two or three years and be run through the financial wringer. Without purchasing power in the hands of primary producers, other segments of the economy will inevitably suffer.

To correct this situation among wheat farmers it is suggested that consideration be given to a programme that will restore a proper balance between supply and demand in the Canadian wheat economy; maintain and increase Canada's position in the export wheat markets of the world; conserve and restore the fertility of the soil, and improve the economic position of wheat farmers. This programme attempts to tie these four objectives together.

A balanced wheat economy. The ideal situation prevails when the supply of wheat and demand for wheat at reasonable prices are in balance. The wheat quota system which we now have breeds wheat surpluses.

Wheat marketing. The Canadian wheat board would be in a much stronger position to obtain a reasonable price if the present wheat surplus were not hanging over the market. The implementation of a programme to limit acreage would stiffen the sales policy



of the wheat board. The wheat price must be competitive, and every reasonable step should be taken to maintain and increase Canada's position in the wheat markets of the world.

Conservation of the soil. The wheat farmers of Alberta and western Canada generally know how serious the problem of soil fertility has become on farm lands. For years a policy of wheat mining of the soil has been followed. Yields are lower, and in another 50 years, at the present rate of depletion, many farms will be abandoned through the loss of the fertility of the soil. This national asset should be conserved and restored by the encouragement of farm practices that will build up this national asset. It would seem to be a far sounder national policy to keep the fertility in the ground rather than grow surplus wheat and give both the wheat and the fertility of our soil away. In fact, we are virtually begging and willing to pay foreign countries to take our surplus wheat. Why not pay a much smaller sum to our farmers to perform practices that will maintain and restore the fertility of the soil? Many countries of the world, in bygone times, have perished because of the loss of the fertility of their soils.

A programme that would by small payments induce farmers to divert wheat acreage



to soil-building crops would not only contribute to the removal of the wheat surplus but would encourage diversification and a more stable farm economy. The programme could be discontinued in a few years when the wheat surplus was no longer a problem. Most of the practices for soil improvement would be continued in all probability by farmers, and soil conservation on farms would be brought about quickly under a definite programme and a concerted effort.

Farm income. With regard to wheat prices the board would sell the wheat at competitive prices on domestic and world markets. The government would make up the difference between the price the wheat board could obtain and a computed price adjusted for different grades of wheat. The computed price would be based on the cost of farm machinery and other things the farmer must buy, the benefit to accrue to farmers who co-operate on wheat acreage limitation and the conservation programme. This programme could be discontinued when the wheat surplus is no longer a problem.

The economic relationships of the programme suggested are shown in the accompanying chart.

It is true that wheat farmers dislike any restraint on the wheat acreage







they can plant. But to set high floor prices without some limitation on acreage would aggravate the wheat surplus. Farmers must choose a realistic programme and one that will work. They must also be willing to stand behind that programme if their government implements it.

The situation in Canada, with our wheat marketing machinery, presents a different set of economic relationships from those existing in any other major wheat exporting country. Therefore any programme suggested for Canada must be developed specifically to fit Canadian economic conditions. There are no United States or other foreign programmes that can be duplicated, although some surplus removal programmes have several features in common in different countries.

This submission is presented with the purpose of focusing the attention of the commission on the gravest problem confronting our nation today.

Turning to the last page, I call your attention to the national farm programme economic relationships. You will notice in the center the demand for wheat and the marketable supply. Economic forces balance those two.

On the left is the Canadian



wheat acreage in bushels, with the surplus wheat in our total supply, and you would compute the wheat acreage equivalent, and that land would be put into conservation practices by the inducement of a small payment.

Then you have your wheat markets of the world, export and domestic, and a safe wheat carryover, with the four objectives, which I have already given, off to the right at the top, to indicate what the programme is driving at.

Above all, on the right hand side of the chart is the average farm income, and that is what the farmers are shooting for.

In the box on the right we indicate that the wheat board should get all it possibly can for the wheat at competitive prices, and the government would make up the difference between the price the wheat board can obtain and a computed price adjusted for different grades of wheat. The computed price would be based on the cost of farm machinery and other things the farmer must buy, the benefit to accrue to farmers who co-operate in wheat acreage limitation and the conservation programme. This programme should be discontinued when the wheat surplus was no longer a problem.



It is the hope of the farmers of western Canada, who must eventually make a choice of a type of programme, that some of their ideas and suggestions may assist the commission in solving their problem.

I certainly wish the commission good luck. I am sure from all I have had to do with the work of the commission here in Calgary and in Edmonton and on my own behalf, I appreciate the work they are doing and I wish them success; and I hope they get to Vancouver in order to see the Grey Cup game.

THE CHAIRMAN: Thank you very much.

MR. LUSSIER: Dr. Kindt, could you suggest what would be some of the measures which might be resorted to, to improve and conserve the soil?

MR. KINDT: That would be a series of practices. You could handle it in this way. You could set a national goal; in other words the wheat board would, by computation, figure out how much wheat we can market in world markets, how much we need for a safe carryover and what we need for domestic consumption, and anything over and above that would be surplus to our needs.

Therefore you would translate





that into terms of acreage, and that would be broken right down to the individual farms.

You may say that is the old triple A programme. It is because we have a marketing system in this country which is geared to the marketing of our grain that never existed anywhere else in the world. When that is brought down to the individual farm you would have such practices as the seeding of alfalfa, the regrassing of certain land, and the restoration of improved farming practices which would restore and maintain the fertility of the soil.

All the payment that would be necessary would be that differential between the return from the land and the farmer's cost. Say it cost the farmer \$20; he gets 20 bushels of wheat and there is an income of \$30 from that. His costs are probably \$25 in all; so, depending upon yields, the inducement it would take for him to carry out conservation practices would be the difference between his costs and what he normally might get as revenue from that crop. That would be the inducement to get him to go along with conservation practices.

MR. GRAUER: In your proposal to divert wheat acreage to soil fertility crops, there is no problem in that alternative, is there? That is, there are plenty of



alternative soil building crops which, if encouraged, would not themselves produce a surplus?

MR. KINDT: Well, I think so; and there is also a time lag there. You hear a good deal of talk, and probably rightly so, to the effect that when you have so many balls in a bowl and you move one of those balls, all the others shift to a new position. We are told that if we take care of the wheat economy by limiting acreage, we will get into trouble with rye and other crops.

Those are not soil conserving crops. You would put in the crops which build the soil, and you would make no payment unless it was a soil conserving crop.

In that way it would be necessary for them to get into livestock, and to expand and diversify farming, which we would like to see in western Canada, in order to bring about a more suitable type of agriculture.

MR. GUSHUE: I wonder if I can summarize your points in this way; that you favour the continuation of sales through the wheat board with floor prices, but you do stress the point that you cannot maintain floor prices without limitations on acreage, that limitation of acreage and floor prices go together as far as wheat is



concerned?

MR. KINDT: I would think that is right. It is absolutely right that you cannot, in an economic sense, set high prices -- whatever the price may be -- without some limitation of acreage in an attempt to keep back the increase you would otherwise get, because when prices go down what farmers do is try to grow more in order to offset the lower price level.

I should not like to have this called a floor price, because it is a flexible price, which would depend upon prices of machinery and other things the farmer must buy.

In the actual working out it might be that it would have to be fixed by the government a year in advance, but what they were going to get for their wheat would not be known until after the sales had been made by the board throughout the year.

I would certainly say we should continue the efforts of the wheat board, which fit beautifully into this pattern. The wheat board would complement this development, and the economic relationships indicated here should all work out.

It might take one or two or even three years to balance the wheat





economy, but certainly you will not balance it by a policy of laissez faire, or let George do it, or by fiddling while Rome burns. In a matter of two or three years a good many of our wheat farmers will be, as I have already indicated, in financial difficulties, and probably run through the financial wringer; but surely in these matters you do not have to wait until something of that sort happens in order to get every one thinking alike, the farmers and so on, or until governments will implement legislation which will get the cooperation of the farmers in order to solve the problem.

THE CHAIRMAN: Thank you, Dr. Kindt. Before asking Mr. Kartzke to present the brief of the Canadian Petroleum Association, we will have a recess for 10 minutes.

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---Recess.



---After recess.

THE CHAIRMAN: Well, shall we come to order, gentlemen? Mr. Kartzke, we will mark this brief of the Canadian Petroleum Association as Exhibit 61.

MR. KARTZKE: Mr. Chairman and gentlemen of the commission, I would like to introduce my associates here. On my left is Mr. H.R. Morrman, a member of the executive committee of the petroleum association, and on my right Mr. Ralph Diamond, head of the statistical department of the association.

The Canadian Petroleum Association is an industry association consisting of about 250 members, representing the operating oil companies and other companies and individuals associated with the oil industry of Canada.

THE CHAIRMAN: Does it include most of the companies?

MR. KARTZKE: I would say it includes as members at least 80 per cent of the operating oil companies in Canada, and probably in that 80 per cent it represents 95 per cent of the production.

The association is approximately 10 years old, having grown from the Alberta Oil Association to the Western Canadian Petroleum Association and now to the Canadian



Petroleum Association.

As outlined in Article 2 of the by-laws of the association, which I would like to read, the objectives and purposes for which this association was formed are as follows:

- (a) to establish better understanding between the petroleum and natural gas industry and the public;
- (b) to encourage co-operation between the petroleum and natural gas industry and federal, provincial and local governments and other authoritative bodies;
- (c) to provide a forum for the discussion of matters affecting the welfare of its members;
- (d) to foster better understanding between this association and other organizations with similar objectives and purposes.

The brief which you mention was prepared by the staff of the petroleum association and was reviewed by the executive committee of





the general board of governors of the petroleum association, of which I happen to be chairman. You will appreciate, I am sure, that this brief cannot represent in all phases the unanimous opinions of a group of this kind. However, we feel that it represents in all cases a majority opinion; and in answering any questions which you may have about the brief I hope you will also appreciate that in most cases we will have to give you our personal opinions, which we hope will coincide with those of the majority of our association, but we cannot be certain of that matter.

The submission to the royal commission on Canada's economic future with respect to the potential development of the oil and gas industry in Canada is prepared in several sections. The first section deals with liquid hydrocarbon reserves.

The Canadian Petroleum Association's reserves committee began computing liquid hydrocarbon reserves as of December 31, 1950. Since that time there has been a steady growth in the net reserves discovered. In estimating future discoveries the period from December, 1950, to December, 1954, has been taken as a base period. Prior to 1950 it is felt that the rapid growth of reserves from practically nothing up to 1.2 billion barrels in 1950 would influence a future trend to an



unrealistic degree.

In projecting the trend of the five year period 1950 to 1954, it is found that by 1960 net liquid hydrocarbon -- crude oil and natural gas liquids -- reserves would total 4.43 billion barrels; by 1965, 5.96 billion barrels; by 1970, 7.57 billion barrels, and by 1980, net reserve would amount to some 10.8 billion barrels. The reserves calculations for 1955, 1956 and 1957 can reasonably be expected to exceed the normal trend; however, this can be attributed to the development of reserves in fields such as Pembina and Westward Ho. With the exception of the period 1955 - 1957, it is felt that the rate of increase in net reserves discovered -- 350 million barrels per year -- to be quite realistic. The attached graph projects the trend of the period 1950 - 1954 for crude oil reserves and total liquid hydrocarbon reserves. The graph is Appendix A to the brief.

The second section of our brief deals with natural gas reserves.

In attempting to forecast net natural gas reserves, we have no realistic past history on which to build a trend. When natural gas reaches the market it is felt that the incentive factor of exploring for natural gas reserves will result in a discovery rate far in excess of any trend in



the past discovery rate. At the present time, it is impossible to forecast when the incentive factor may have effect on a more active exploration programme in the search for gas reserves.

At the Trans-Canada hearings on August 13, 1955, the Canadian Petroleum Association projected Alberta natural gas reserves estimates of the Canadian Petroleum Association and also those estimates of the Alberta petroleum and natural gas conservation board. They are illustrated in the graph which is appendix B to the brief. Because the figures contained in this report are considered very conservative and hardly realistic, the trend has not been projected to 1980.

The third section deals with markets. In forecasting future markets for Canadian crude oil, there are many variables that must be considered. The growth in Canada's demand over the past five years gives a good indication as to the future Canadian consumption of crude oil and products. The attached graph, appendix C, includes a projection of the trend established over the past five years for demand, population and production. Some of the products have, of course, been exported; many products have been imported. A large portion of the demand has been supplied by imported crude oil. Until 1951 there had been





practically no exports of crude oil. At the present time, however, markets have been established in the Pacific northwest, Minneapolis-St. Paul, and the great lakes area, all of which areas import western Canadian crude. It is felt the Montreal market is out of reach of western Canadian crude as it is impossible to compete with Venezuela and Middle East crude at the present time. Therefore, future markets for western Canada's crude, with the exception of increased Canadian demand, is the export market.

Minneapolis-St. Paul market can be expanded considerably. The Pacific northwest has great potentialities and it is felt that by increasing throughput of the Trans Mountain pipe-line the resulting tariff reduction can possibly put Canadian crude in a competitive position for offshore shipments to California and quite possibly Japan. 1950 has been used as the base year in all these estimates because it is felt the rapid growth of the Canadian oil and gas industry from the period 1947 to 1950 would not portray a true picture in any projections made.

It might be pointed out that all light gravity crude imported into the United States is subject to 10-1/2 cents per barrel tariff. All middle gravity crudes are subject to 5-1/2 cents per barrel tariff.



All crudes of .8155 specific gravity (42.0 A. P.I.) or heavier at 60 degrees F. entering Canada are duty free. The United States tariff on crude oil imports makes it extremely difficult for Canadian crudes to compete with American crudes in major markets of the United States.

The next section deals with foreign government policy. Changes in foreign government policy which would affect Canadian production of crude are import policies and tariffs of foreign governments.

The last section of our brief deals with the impact of the petroleum industry on Canada's economy.

In 1946 the Canadian oil industry was capable of producing about 10 per cent of Canada's demand for crude oil and products. It is estimated that in 1955, western Canada's potential crude oil production could satisfy over 80 per cent of Canada's demand, a demand which has more than doubled since 1946. During 1955, some 280 oil companies will have spent over \$400 million in the search for and development of crude oil and natural gas.

Since 1946 over \$1-1/2 billion has been spent for exploration and development; about \$1 billion has been spent on refineries and pipe-line construction and expansion, and



some half billion has been spent on petro-chemical plants and allied industries.

If the Canadian crude oil and natural gas industry is to continue developing at its present rate, legislation encouraging free enterprise will be of prime importance.

The Canadian Petroleum Association is carrying out a comprehensive study of the impact of the oil industry on the Canadian economy. The conclusions resulting from this study should be available in early 1956 and the association would appreciate the opportunity of placing these conclusions before your commission at a date and place of your selection.

On behalf of the board of governors of the association, I thank you for allowing us to present this brief.

THE CHAIRMAN: Thank you. On this last point, in connection with the study which your association is carrying on, are you doing that with the members of your own staff?

MR. KARTZKE: Yes.

THE CHAIRMAN: And by early 1956 do you mean the first two or three months?

MR. KARTZKE: Our time schedule for the study is the end of March. The association's work is co-ordinated by the





members of the staff. However, you will appreciate that a job of this kind requires committees from all segments of the membership of the industry, and they actually provide the data and do most of the work.

THE CHAIRMAN: Well, we can hope to receive it at the end of March or early April?

MR. KARTZKE: Yes.

THE CHAIRMAN: Now I would like to ask a few questions about your estimates, or the projection of future discoveries which, as you say, are based on the experience of 1950 to 1954. Are the unexplored areas as likely to prove productive, do you believe, as the areas that have already been explored?

MR. KARTZKE: I would think some of the unexplored areas might prove to be just as productive as some of the areas that have been explored and found to be productive.

THE CHAIRMAN: What I am looking for is the validity of the projection; and quite obviously if the more likely areas have been explored already, then you would have to do some discounting in any projection based on the 1950 - 54 results. But I take it that you do not think any discounting is necessary?



MR. KARTZKE: Yes, that is right.

I think we can say that the western Canada sedimentary basin is sufficiently large that within the period of this study we do not expect that we will reach the limits of exploration within that basin. Does that in a broad way answer what you mean?

THE CHAIRMAN: I think so.

How much land, crown or freehold, is not yet under reservation or lease?

MR. DIAMOND: Under reservation or lease there would only be some 8 per cent of the sedimentary basin, but an awful lot of these reservations are cancelled before there is any work done on them.

THE CHAIRMAN: But only 8 per cent of the total area is under either reservation or lease at the present time?

MR. DIAMOND: Yes, 8 per cent of the acreage under lease or reservation is under exploration.

THE CHAIRMAN: What I am looking for is the total that is neither under reservation nor under lease.

MR. DIAMOND: I am afraid I cannot answer that question.

THE CHAIRMAN: Would it be much?

MR. DIAMOND: It would probably be about 50 per cent.



THE CHAIRMAN: About 50 per cent has not yet been allocated one way or another? Would that include the parts that have been under reservation and given up?

MR. MORRMAN: Yes, it would.

THE CHAIRMAN: Can you analyze it further for us?

MR. KARTZKE: I think we can provide you with those figures.

THE CHAIRMAN: That is all we want, as long as we can get them. What we would like to know is how much of the total area which you think might be oil bearing is under reservation or lease at the present time, and how much of the balance was under reservation but has been given up, and how much has not yet been placed under reservation.

MR. MORRMAN: Of course you will appreciate that land changes hands, and will continue to do so over a long period of years, so that it becomes available again and again.

THE CHAIRMAN: Do you mean freehold land or crown land?

MR. MORRMAN: Both.

THE CHAIRMAN: The land is mainly crown land is it not?

MR. MORRMAN: Yes.

THE CHAIRMAN: We have your





projection, and we want to have a good, hard look at it to see if in our own minds we are completely satisfied that it is a valid way of going at it. But if you will see if you can get us some figures, without going to too much trouble --

MR. DIAMOND: I think the figure you are looking for is the actual acreage that has been explored, rather than what has been under lease or reservation<sup>1</sup>.

THE CHAIRMAN: Well, I would like that, too, but I would like to know how much of this total area has been under reservation and how much of it is under reservation now. Presumably the estimates are based on the assumption that the same amounts will be spent on exploration in the future as have been spent during the years 1950 - 54. Is this a valid presumption if more or less immediate markets are not there?

MR. KARTZKE: I think you are right. The projection was made on the basis that the level of activity would remain approximately the same as it is at the present time. We felt that was the best assumption that could be made, not knowing what economic factors might have an effect on the industry in the future 15 or 20 years.



THE CHAIRMAN: If sufficient markets do not develop, would you expect the expenditures on exploration to be reduced?

MR. KARTZKE: Yes.

THE CHAIRMAN: There is another question which is rather allied to that. Is it probable that new discoveries of oil and gas will bear the same rough approximation to the amount spent on drilling? I wanted to ask this question to clarify the situation in my own mind, as to whether results will depend on expenditure over a long period.

MR. KARTZKE: I think that is correct.

THE CHAIRMAN: Due to the limitations of the potential Canadian demand, is it fair to presume that the industry includes the export market in the United States, and particularly Minneapolis and St. Paul, the Pacific northwest and also perhaps the Detroit - Toledo area, and those are the markets you are unsure of, as I understand it?

MR. KARTZKE: They can be affected by such things as we point out; tariffs in other countries.

THE CHAIRMAN: What I am trying to come to is that this rate of development, the rate of exploration, the whole projection as to future reserves or



discoveries, is dependent upon the opening up of those markets in those areas in the United States?

MR. KARTZKE: Yes, that and the projected increase in internal demand within Canada.

THE CHAIRMAN: Oh, certainly; but as far as the projected internal demand goes, you can make some guesses and assumptions there which may be right or may be wrong, but at least you have something to go on. But the whole curve you have set out in this first chart, as I understand it, is really based on the amount of money that is going to be spent on exploration, and that in turn will depend on the markets, while that will depend to a very large extent on the markets that may open up in these areas in the United States. We want to be clear on this.

MR. KARTZKE: I think we would agree with that, except to perhaps quibble about the words "very large extent".

MR. MORRMAN: Certainly some export is included in nearly all estimates of production.

THE CHAIRMAN: What percentage, roughly, over the long term?

MR. DIAMOND: Right at the present time there are 100,000 barrels a day going to the Pacific northwest, about





10,000 barrels a day going to the Superior market, and 15,000 to 20,000 going to Minneapolis and St. Paul.

THE CHAIRMAN: But in your long-term projection of discoveries, which we are hooking on to markets, you are basing the market estimates on the Canadian demand plus export demand. How much weight did you give to the export demand?

MR. DIAMOND: About one-third.

THE CHAIRMAN: It would be very much higher than it is at the moment?

MR. DIAMOND: No, that is just about what it is.

THE CHAIRMAN: You are just assuming that the present division carries right through; is that right?

MR. DIAMOND: Yes.

THE CHAIRMAN: On page 3 you set out the duties that are payable on Canadian crude going into the United States. Are those duties high enough to have a really restrictive effect on Canadian exports, or is it the other quotas or the restrictive measures that are the deciding factors?

MR. KARTZKE: I would say that at the present time these duties definitely have an effect on the amount of oil being shipped to the United States.



THE CHAIRMAN: That the duties have an effect?

MR. KARTZKE: Yes.

THE CHAIRMAN: In other words, 10½ cents a barrel on the low gravity crude is an effective barrier?

MR. KARTZKE: Oh, yes.

THE CHAIRMAN: And of course apart from everything else it quite obviously means that your net price here is that much lower, and you have to operate accordingly?

MR. KARTZKE: Yes.

THE CHAIRMAN: Now here is a question that I think is perhaps a more difficult one, but one that I believe we should ask the industry. What do you think the Canadian policy should be regarding oil imports into Canada? Do you think there should be any duty on oil coming into this country?

Other people have appeared before this commission and said there should be. Others who have appeared before the commission said that in certain cases if there is a duty on a Canadian product going into the United States, then there should be a corresponding duty on importations into Canada.

You cannot generalize on those things. It depends on the industry and the



product and a lot of other considerations, but what I am asking is whether you have an opinion on this subject as an industry or as individuals.

MR. KARTZKE: As an industry I think you would find a varied opinion, and I do not believe we could say, because I think various members of the industry would have varying opinions, depending upon the circumstances in which their particular company or operation might be involved. If you polled the industry you could get an answer from yes to no and all intermediate degrees.

MR. MORRMAN: I really do not have an opinion.

THE CHAIRMAN: All right; I do not press it. At least as an industry you have not a strong, unanimous opinion one way or the other?

MR. KARTZKE: I am sure that is the case.

THE CHAIRMAN: If there were a duty on importations, say for the sake of argument equal to the United States duty on oil going into the United States, could Canadian oil products compete in the Montreal market?

MR. KARTZKE: There is also a difference of opinion on that particular question. We gave you the majority opinion, which represented the opinion of I think 90





per cent of the board of governors on that particular matter. The other 10 per cent felt that the Canadian crude could compete in the Montreal market under present circumstances.

THE CHAIRMAN: Well, would the 90 per cent feel they could compete if there were this kind of duty on importations?

MR. KARTZKE: It would depend, I am sure, on the amount of duty that was imposed.

THE CHAIRMAN: Suppose it was the same as the United States duty?

MR. KARTZKE: A 10 cent duty on low gravity crudes would narrow the margin. As far as my personal opinion is concerned, I do not believe that would be sufficient to make us competitive in Montreal. However, you will appreciate that that is by no means a unanimous opinion of the board.

THE CHAIRMAN: Dr. Stewart says, would you care to tell us what the prices are at Sarnia and at Montreal?

MR. KARTZKE: On what quantity and what quality, and all the other things?

MR. STEWART: Don't ask me the questions. You give me what you think is the best answer.

MR. KARTZKE: There is not any



answer to that. It is like potatoes, the culls do not bring as much as the good potatoes. So we just cannot answer that question, unless you mean the same gravity in the two places, what is the difference?

MR. STEWART: That is right; that is it.

MR. DIAMOND: The only figure I have worked out in that regard is the difference in price of Venezuela crude and what we can lay down western Canadian crude at Montreal, and the lowest difference I have been able to reach is 16 cents.

THE CHAIRMAN: What I was leading up to was this. When the St. Lawrence seaway is completed, will Venezuela crude be laid down in Ontario at a price which will make things awkward for you? If your 16 cents differential is right, the answer surely is that it will, but I do not want to answer the question; I would like you to answer it.

MR. KARTZKE: I definitely think there would be an impact on our Ontario market. By that I mean there might have to be changes in the price structures and changes even in the pipe-line operation to take care of such a situation.

THE CHAIRMAN: By that you mean you would meet whatever the imported price is?



MR. KARTZKE: I think we would make changes so that we would not lose the Ontario market.

THE CHAIRMAN: That is what I wanted to know; because it seemed to me that if you did not make those changes your projections of reserves were going to be out. So if necessary you could meet that kind of competition?

MR. KARTZKE: I think we would have to.

THE CHAIRMAN: If you can do that, I do not see why you cannot make similar adjustments which would let you into the Montreal market.

MR. KARTZKE: Well, I think you are asking questions which we are struggling with, because we cannot tell you or we do not know all the answers to what might happen to the world picture in oil. Oil is competitive, being a very transportable fuel, with oil that comes from everywhere else, and we cannot answer those questions because we are not well enough acquainted with what the demand will be provided certain things happen.

THE CHAIRMAN: You see our problem. If you cannot make a reasonable guess, it is going to be difficult for us to do so. One of the things we are trying





to do is indicate in broad terms what are the future prospects for different industries in this country; and unless we get down to, I will not say details, but unless we get down to cases to a certain extent we cannot come up with any conclusions.

If you would be in a position -- and I come back to it -- to meet the competition of foreign importations into the Ontario market after the seaway is completed, I do not think it is too illogical for me to ask, is it very different from meeting that same competition in Montreal as of now.

MR. KARTZKE: Well, the tariff between Montreal and Toronto in one direction actually is not quite parallel with that in the other direction. Suffice it to say, I think, that the industry has not felt it necessary to compete in the Montreal market up to the present time.

THE CHAIRMAN: What we are looking for is information, and I quite appreciate the fact that some of the questions I have been asking do not lend themselves to a definite yes or no answer. I think that is all I need to say on that subject.

In your brief you refer to the fact that changes in foreign government policy -- and by that you mean the United



policy -- and by that you mean the United States government policy, I believe -- which would affect Canadian production, are import policies and tariffs of foreign governments, and again I presume you mean the United States government.

I think we would like to know what you in the industry expect is going to happen in that regard. What I have in mind particularly is what is going to happen with respect to the informal restrictions which are now in effect as a result of United States government policy. Do you think they are going to last for a while? How long do you think they are going to last?

Quite obviously this is a vitally important question as far as the Canadian industry is concerned, and I am sure that perhaps not as an industry but as individual companies you have your own views as to how long that kind of restrictive policy is likely to be continued.

MR. KARTZKE: In answer to your question, in the first place we do not restrict it necessarily to the policies of the United States government. We can foresee that the tariff policies of other foreign governments outside the United States might affect our production. That is, export tariffs in Venezuela and the Middle East could



affect our production.

As to the second part of the question, the voluntary restriction on imports into the United States to the best of my knowledge has not yet affected any import of any oil from Canada, so I think the only answer we can give to that is that we would expect pressure from the American oil industry to continue to maintain the present position that the United States government has taken.

THE CHAIRMAN: The industry would press for a continuance of the informal restrictive arrangements, rather than have those arrangements translated into formal regulations?

MR. KARTZKE: Yes.

THE CHAIRMAN: You say it has not up to date affected the importation of Canadian oil into the United States?

MR. KARTZKE: Not to the best of my knowledge.

MR. DIAMOND: Our markets have been those which could not be supplied by American crudes.

THE CHAIRMAN: Would that apply to your estimates of an expanding export market in the United States?

MR. DIAMOND: Yes. We have mentioned California, and at the present time





California imports crude. They have not enough for their own use.

THE CHAIRMAN: I suppose basically the policy is designed to stimulate exploration for oil in the United States. Is that fair?

MR. KARTZKE: That is certainly the over-all policy. The pressure that is being exerted is to allow the larger allowables in certain portions of the United States to increase the desirability of the economic atmosphere for producers in certain areas.

THE CHAIRMAN: What is the long-term trend in the United States; increased prices?

MR. KARTZKE: I do not think any of us could answer that question.

THE CHAIRMAN: Well, if these are the kind of questions which nobody can answer, just say so; but they are the kind of questions which I suppose somebody who does not know anything about the oil business might be expected to ask.

MR. MORRMAN: I think in that respect most of the people in the companies feel that the long-term outlook is one of shortage of supply rather than an oversupply, and that the present temporary oversupply will disappear in a matter of a few years. So we are not too much concerned with the markets for the oil.



THE CHAIRMAN: That is exactly the point I wanted to ascertain.

MR. MORRMAN: I do not think any of us can prove it, but that is the way we feel.

THE CHAIRMAN: Well, you are in the industry. You should be able to make a pretty good guess, anyway.

Now, I wanted to ask a few questions about the proration and reservation system. As I understand it, here in Alberta there are about 44 million acres of crown land, or there were about 44 million acres of crown land under reservation or lease at the end of 1954. I wondered if you could give me a breakdown between the acreage under reservation and that under lease?

MR. KARTZKE: We have not that here, but we will let you have it.

THE CHAIRMAN: I presume a very large percentage would be under reservation and not yet under lease. I have already asked this question: how many acres of reasonably potential land are not yet under reservation or lease?

Now, can you answer this question. Is much of the land under reservation at the present time not being explored or developed very quickly?

MR. KARTZKE: Under the existing



regulations you are required to make certain work commitments. You cannot hold the acreage without exploring it, so I think the answer to that is that all the acreage under reservation is being explored, at least to some extent.

As the regulations are laid down, the longer you hold it the more work commitments you have. Therefore, the older the reservation is the more quickly it is being explored.

As to the leased acreage, there is a rental of \$1 per acre per year. That is a rather high rental in our business, and it would be very expensive for anybody to hold leased acreage and not explore it.

THE CHAIRMAN: I was thinking more of the acreage under reservation, and I presume you cannot go ahead and do all the work that is necessary over night; people must be given time, and I daresay there are extensions of one kind or another, although I do not know.

What I am looking for is whether people in the industry -- and I certainly would not expect an unanimous answer on this one -- feel that a considerable amount of land is under reservation and is not being explored very rapidly.





MR. KARTZKE: I think the industry's answer would be as follows. In order to do a proper exploration effort it requires a large amount of acreage in an oil province of this kind. By that I mean you never know where geology is going to lead you, and you may get a lead and have to chase it quite a long way before you find an oil field. So inherently in our business it requires large amounts of acreage to carry on a good exploration effort.

THE CHAIRMAN: I thought people were restricted to not more than 100,000 acres, or two pieces of property of 100,000 acres.

MR. KARTZKE: That is, one corporation is restricted. There is a certain limitation.

THE CHAIRMAN: Does that work out in practice, or what do you do in practice? Is that enough, or do you arrange to get more?

MR. KARTZKE: We have corporations.

THE CHAIRMAN: In words, that regulation does not ~~work~~ in practice?

MR. KARTZKE: No.

THE CHAIRMAN: What about that regulation? Is it one that should be applied



in practice? Is there any difference of view about this?

MR. KARTZKE: No, I do not think so.

THE CHAIRMAN: Everybody does it?

MR. KARTZKE: Yes.

THE CHAIRMAN: In freehold land; is there much of it?

MR. KARTZKE: No. As you probably know, along the 49th parallel there is a reasonable percentage, in some areas as high as 50 per cent freeholdings, but in total I think it is less than 10 per cent.

MR. DIAMOND: As far as the individual farmer goes, it is only 3.45 per cent. The Canadian Pacific and Hudson's Bay would have about 10 per cent, and the rest would be in dominion lands.

THE CHAIRMAN: Is there any restriction at all over any of those freehold lands?

MR. KARTZKE: As to how much land you may lease?

THE CHAIRMAN: Yes, or reserve or anything else?

(No answer.)

THE CHAIRMAN: Are figures available which would give a breakdown of the total acreage under reservation, as



between what might be described as the larger companies and the smaller ones?

MR. KARTZKE: That is a breakdown between the amount of acreage held by major oil companies, as compared to independent oil companies?

THE CHAIRMAN: Yes.

MR. DIAMOND: We can get you a percentage figure.

THE CHAIRMAN: That will be good enough. Now I want to ask another question, which we have asked once or twice before. Is there a breakdown available of the total expenditure, as between exploration and development?

MR. KARTZKE: That is not available at the present time, but we hope to have it available in our study.

THE CHAIRMAN: You have to take it on a company by company basis, I suppose?

MR. KARTZKE: That is right.

THE CHAIRMAN: In the meantime perhaps you could let us have that breakdown for two or three of the larger companies. Give us the average, if you like, because we are not interested in individual company results or figures.

MR. KARTZKE: You would like that figure before we complete the study in March?





THE CHAIRMAN: Just so we would have in our own minds some rough idea of the respective costs of exploration and development. If you would care to give me a rough idea off the cuff it would suffice for our purposes at the moment.

MR. KARTZKE: I think we can provide you with that figure; yes.

THE CHAIRMAN: In that kind of breakdown is it customary to make any allowance for gas discoveries, or would the exploration and development expenditures be shown in total per barrel of oil, with gas being sort of treated as a by-product?

MR. KARTZKE: Naturally when you explore you do not know whether you are going to find gas or oil, so you have to say that in general we are looking for oil, and generally we term exploration expense per barrel of oil.

THE CHAIRMAN: If you found a lot of gas you would be loading the figure in a sense, would you not?

MR. KARTZKE: What we have done in cases like that, where it would be appreciable, is this. We have endeavored to change the gas over to oil on the basis of a B.T.U. conversion factor, so we do have it in terms of barrels again.

THE CHAIRMAN: When you let us have that breakdown, could you also indicate



to us how those costs per barrel compare with similar expenditures in various areas of the United States and other countries?

MR. KARTZKE: Over the same period of time?

THE CHAIRMAN: Whatever is an appropriate comparison. For all I know, a comparison over the same period of time would not mean as much as a comparison over a longer period of time in other countries where the industry is older. I would like whatever you think is the correct comparison.

As I understand it, under the present system here if you get a reservation and you find oil, you are required to make substantial expenditures on developing that oil within a reasonable time. What I want to ask is, does the industry approve of that policy, which requires you to make substantial expenditures on development before you are sure of markets for the oil? In other words, does the system mean tying up a lot of capital in development before you do actually get a market in which to sell the oil?

MR. KARTZKE: Mr. Morrman and I think the industry would say in general that they are satisfied with the rate of development that has been required up to the present time under the present regulations.



THE CHAIRMAN: And would you think the same rate of development should be required from here on, until this question of markets is a little more certain?

MR. KARTZKE: I would not want to say that, no, because there might be certain economic factors which would change the atmosphere and would require the industry to ask for a slowdown of development.

THE CHAIRMAN: But the industry has not felt that it was necessary or desirable, or that the time was ripe, to ask for such a slowdown?

MR. KARTZKE: No, we have not.

THE CHAIRMAN: Would that view be held by both large and small operators? Is there a difference of view as between the larger companies and the smaller ones?

MR. KARTZKE: I do not think there is any great difference of view in that regard. The board of governors is made up of approximately half the majors and half the independents, and the matter has not come up.

THE CHAIRMAN: Then that is pretty conclusive. Then speaking more generally, does the industry approve the present reservation and prorating system?

MR. KARTZKE: Well, would you divide the question? Does the industry approve





the present reservation system? In general I think the industry does. We have presented some briefs to the authorities here and in Saskatchewan and in British Columbia, requesting some changes.

THE CHAIRMAN: I do not mean in points of detail.

MR. KARTZKE: In general we have lived very nicely under the present regulations.

THE CHAIRMAN: Does that apply to the proration system also?

MR. KARTZKE: I do not think we can say there is anywhere near the unanimity of opinion as to proration as I can with regard to the regulations.

THE CHAIRMAN: What are the pros and cons of the present prorating system?

MR. KARTZKE: The conservation board is regularly hearing representations by operators in various fields to change the proration system; that is, to change the amount of oil you can produce by virtue of water, gas, secondary recovery, and a great many technical aspects.

THE CHAIRMAN: I was not thinking of that so much. I was thinking of the broad over-all provision, as I understand it, that the demand or the market for oil every so often is divided among the various producers in the various fields by some proration system.



If a new field comes in, the operators in that field get their share and the operators in the older fields get a smaller share, as a result.

That is the sort of broad principle I was thinking of, and I was wondering whether that broad approach met with the general approval of most of the members of the industry, or if there were differences of view; and if there were differences of view, what were the arguments pro and con on the general principle.

MR. KARTZKE: I think we can say in very broad terms that the industry certainly is in favour of control of some kind. There may be a few individuals who would not go along with that, but I think in general that would be the case. The only thing we want to be sure of is that that control is sufficiently flexible, shall I say, so we can, in cases where necessary, change the control to suit the economic conditions which may prevail in a particular instance.

THE CHAIRMAN: Let us get more specific, then. If a great many new fields were developed, surely the producers in the older fields, if they were not also interested in the new fields, would complain that the present system, if it was not changed, worked to their disadvantage. Is that a correct presumption?



MR. KARTZKE: Yes.

THE CHAIRMAN: I am really just developing a question, and I do not know whether it is a fair assumption.

MR. KARTZKE: That is quite right.

THE CHAIRMAN: Therefore what I was coming to, is that a point where the views of the larger and smaller operators might differ? I can imagine that the larger operators are probably going to be in all the fields, whereas the smaller ones might not be; and what I am really looking for is to find out whether there is a unanimity of view among everybody in this industry, or whether there are any points of difference.

MR. KARTZKE: Certainly when that situation you have proposed arises, there is going to be pressure from the operators to have their allowables restored, in one manner or another.

THE CHAIRMAN: But it has not gone to that stage yet?

MR. KARTZKE: Yes, it has.

THE CHAIRMAN: I am really getting back to the question I asked earlier, whether there would be anything to be said for using up the oil in one field before you move on to another. Obviously you must have some incentive, or people are not going to develop a new field. So it is a question of judgment,





I suppose, as to how far you go. If you went too far there would not be enough in it; you would reduce the allowables right across the piece, I suppose, and you would not like it. But I take it this is a point on which there could be differences of opinion?

MR. KARTZKE: I think that is right; and about all we can say is that there must be a time period balance between the incentive for producing and the incentive for exploring.

THE CHAIRMAN: In a general way can you tell us how the Alberta system of reservations and leases and the sale of crown lands and royalties and prorating, compares with the situation elsewhere, particularly in the United States, for instance, or any other country?

What I really mean is this. Is this system here modelled on a plan of operation in the United States which has proved satisfactory there, or is this system here one that has features that are different?

MR. KARTZKE: I think this system has features that are quite different than you would get in the United States. The oil industry in the United States grew up on the basis of leasing land. Naturally there was a much greater proportion of freehold land in most areas in the United States, and that is



the reason it grew up in that way. The United States government in general leases its land; it does not grant reservations.

In more recent years there have been definite changes in the policies of the various governments in the United States, particularly offshore, in Louisiana and Texas. There are some similarities between the methods they now use offshore and the ones which were really originated here in Canada. So by a process of evolution in both areas they have followed the same methods.

In that regard the association is preparing a study and brief to present to the Alberta government as to changes which we would like, and we feel quite free to present our ideas in that regard.

THE CHAIRMAN: I am quite sure of that, because your ideas, as I take it from what you have said, deal with points which you think should be changed; but you are not disagreeing with the over-all principle of the present system?

MR. KARTZKE: No; I think the industry is heartily in agreement on the point that we have lived very well in Alberta to date.

THE CHAIRMAN: Is the system in the Middle East or Venezuela quite different?

MR. MORRMAN: It is quite similar.



THE CHAIRMAN: What about Saskatchewan and Manitoba; are their systems more or less identical with the Alberta system?

MR. KARTZKE: Not identical, but similar.

THE CHAIRMAN: No points of departure in particular?

MR. KARTZKE: No.

THE CHAIRMAN: Everywhere we have gone so far, and I expect we will hear some in other parts of the country, there have been suggestions that the element of risk in various occupations should be reduced. Is there any way of reducing the element of risk in your business?

MR. KARTZKE: Well, about the only way of reducing the element of risk is by some way of compensation when you are successful. In that regard the association has presented briefs to the dominion government requesting a depletion allowance --

THE CHAIRMAN: You mean the compensation or the reward for success should be sufficient so you will go ahead and take the risk?

MR. KARTZKE: Yes.

THE CHAIRMAN: Is there any way of reducing the risk and thereby reducing the reward if you are successful? That is what





a lot of people in other industries are looking for.

MR. MORRMAN: I believe as a rule we are generally willing to assume the risk, and will reduce the risk through efficiency of the operation. I do not believe there is any outside way of reducing the risk.

THE CHAIRMAN: The risk is in the exploration side, and that is why I wanted to get the costs of the exploration work, apart from development. Once you have found the oil, the element of risk is reduced to manageable proportions, because you are not going to spend the money to develop the oil unless there is a good chance of being able to sell it within a reasonable time. So you get down to the exploration side of the expenditures you have to make. Until we get your figures and find out what they amount to, I find it difficult to ask questions on that.

Now, in our studies or our assessment of each industry, we are trying to come to some conclusions as to the probable structure of the industry over the period of 10, 20 and 25 years at which we are looking. Am I right in thinking that under present conditions of surplus supply the smaller producer is at a very great disadvantage vis-a-vis the large, integrated companies? I assume the smaller company is always at a



disadvantage in any industry, but it seemed to me that in this industry, in periods of surplus the smaller producer was at a great disadvantage.

MR. KARTZKE: The answer to that, I think, is this. If you mean can a large corporation survive a period of low economic return better than a small one, perhaps the answer is yes, if the small individual is only interested in one particular spot. On the whole the answer to the question, I think, would be that the large corporations feel the over supply position, also the high demand position which sometimes occurs, just as much as the smaller operation.

THE CHAIRMAN: Well, because of the economic situation, or the present situation of oversupply, is it likely, do you believe, that there will be a continuance of the trend, or what seems to be a trend, to a greater concentration of the industry in the hands of the larger integrated companies?

MR. KARTZKE: I would like to say that that trend is not particularly representative, in view of the fact that when the oil industry started up here, a lot of corporations were formed, which required boom times to exist. Naturally when those boom times ceased, they had difficulties. Under the more stable operation atmosphere that we have at the present time and have enjoyed for the last two



or three years, I think the smaller independents have had just as good sailing as the major oil companies.

THE CHAIRMAN: I do not think that quite answers my question. It may be a good thing in the interests of efficiency for this industry, as is true in other industries, to gravitate into the hands of large, integrated organizations that operate all the way from the raw material down to the consumer. We see that in every industry these days, and I do not see why people would expect it to be different in this industry. All I want to know is, does that trend, which is probably general, apply also to the oil industry?


MR. KARTZKE: I do not think we can agree with you that there is such a trend in the oil industry.

MR. MORRMAN: We do not believe there is yet.

THE CHAIRMAN: In other words there may be, but it is not apparent as yet?

MR. MORRMAN: There is some consolidation of some of the smaller companies to bring about more integration.

THE CHAIRMAN: Well, as you gentlemen know, there is a feeling in some quarters that the oil industry will gradually gravitate into the hands of the larger companies, and in particular into the







larger companies that are American companies, or their subsidiaries. What I am asking is this; is that likely to happen?

MR. KARTZKE: Being representatives of two sizeable companies, we can quite appreciate what you say. About the only thing I can say in reply is that the independent oil operators in the United States, which has had 40 years more history than we have had in Canada, represent a very, very large proportion of the oil industry.

THE CHAIRMAN: I know that, and I was going to ask whether, if I was right in presuming there was such a trend in Canada, if there is such a trend or there may be such a trend if it is due mainly to the size and resources of the larger companies, or whether it is due to tax laws and policies of the Canadian and United States governments.

I am fully conscious of the fact that in the United States the so-called smaller but fairly large independents are a very important part of the oil industry; and what some Canadians are wondering is whether that is going to be true here and if not, why not; whether it is a question of tax regulation or whether it is just a question of the size of the resources.

MR. KARTZKE: Mr. Morrison and I



think it will be true that the independent portion of the oil industry, and by that we mean the smaller companies, will grow in Canada.

I would like to say that the exploration effort in Canada is just a little bit different than the exploration effort in the United States, in that operations on larger tracts of land are expensive. Operations in the far north are expensive, and it requires considerable backing in order to carry on such exploration operations.

In general the history in the United States has been that independents do not participate in that kind of large exploration effort. Their position is in the more developed portions of the states, where they are able to do things in some cases much more efficiently than the large integrated oil companies can do.

THE CHAIRMAN: I do not want you to misunderstand me. I believe that Canadians appreciate the great contribution which United States capital and in particular United States know-how have made in speeding up the development of Canadian resources, not only oil resources but the Canadian resource industries generally, since the end of the war. Perhaps this applies particularly to the oil industry, but it applies to other industries as well.

Having said that, do not suppose many people, Canadians or Americans, would think



that it would necessarily be a desirable thing for too great a proportion of a Canadian resource industry to be controlled permanently by non-residents of this country. You heard what the mayor said this morning, and you hear that right across the country.

If this is a fair presumption -- perhaps it is not -- what I wanted to ask was whether the industry had any views as to how the present trend, if there is one, could be slowed down or reversed.

MR. KARTZKE: I think we can only give our answer again, perhaps in a little different words. We think the trend will be toward independent oil companies being formed in the more explored areas where independents can operate as well as or in some cases better than large companies. I would hazard a guess that you would find a growth of independent oil companies in Canada similar to what was experienced in such places as Texas and Oklahoma in the last 15 years.

THE CHAIRMAN: And would that development, do you think, have to wait until the situation with respect to markets was cleared up a bit? It will all come within the period at which this commission is trying to have a look; but is it the kind of thing that would normally come with the development of markets, and would have difficulty in developing in the present period







of oversupply? What sort of conditions would be required for the independents to flourish?

MR. KARTZKE: I do not think the market situation is as pertinent as the actual exploration situation. If I were representing an independent oil company I would certainly never recommend that a small independent oil company explore in the Northwest Territories. However, in areas such as Pembina and similar areas, where the industry is well established, the independents do very well.

THE CHAIRMAN: I suppose it could be argued that if at some time in the not too distant future there was a reasonable expectation that there would be an undersupply of oil to meet the demands of this continent -- and I start off by saying "if"; if that were believed, and if it were believed that the result would be an increase in price, you could think we might have two alternative approaches. One would be to go slow and wait until that market developed and then get a better price for Canadian oil. Or the alternative presumably would be to export as much oil as we could, depending upon the policies of restrictions of foreign governments which you mentioned, and produce as much as the market would take without too much regard to immediate prices.

Are there any arguments for and against those two alternatives, or is the second



one just obvious, in your opinion?

MR. MORRMAN: It seems to me it is a matter of economics in the oil industry, as in any other industry. We can argue well, let us not do anything but just wait until the prices are better. I think we must go ahead and develop. Historically, as oil has been found the markets have been found, and prices have gone along with the prices of other goods.

THE CHAIRMAN: I wanted to ask one or two questions about gas. In connection with the projected reserves up to 1969, which are shown in your appendix B, you refer to the fact that they are very conservative. Do you think they are so conservative as to be unrealistic?

I was a little bothered about it because of the words you use to qualify the projections, and I wondered if in practice you mean there is really so little information available that you cannot make a projection that means very much, and that your guess would be that this was very considerably on the conservative side.

MR. KARTZKE: I think what bothered us when we put this in was this. As you perhaps realize, there are two projections we have used, one by the Alberta conservation board and one by the industry, and there are wide variations. From the fact that this occurs, and the fact that we know the data on



which we are working is affected by a great many things, I do not know whether we have made a good estimate or not.

THE CHAIRMAN: Is it fair to say from the remarks you have made in the brief that you think if you have erred you have erred on the conservative side?

MR. KARTZKE: Yes, I think so.

THE CHAIRMAN: As I understand it, the tentative plan for selling gas is quite different from the prorating system for oil. The question I wanted to ask is whether the proposed plan provides any incentive to explore for gas, except incidentally in connection with the exploration for oil. I presume on occasion you go to look for gas where you think there is gas. Does the proposed plan provide that kind of incentive?

MR. KARTZKE: Well, we are not quite sure what plan is going to be finally followed. We in the industry feel there is going to be an expanding market for gas once it reaches the market, and that will certainly provide an incentive for the development of gas reserves.

THE CHAIRMAN: Well, is there any argument in favour of dealing with gas in the same way as the prorating system for oil?

MR. KARTZKE: I do not believe we have an opinion on that one.

THE CHAIRMAN: I think we might like





to ask a question or two more about gas after lunch, if you do not mind coming back for a short time; but the mayor has been good enough to invite us to lunch and we must adjourn now. If you will excuse us I think we should adjourn until two o'clock. We will try not to hold you up too long. We are very grateful to all three of you for the very helpful way you have tried to clear up a lot of points for us.

---At 12:00 noon the ~~commission~~ ~~adjourned~~  
commission adjourned.

---The commission resumed  
at 2:00 p.m.

THE CHAIRMAN: Shall we come to order, gentlemen? When we broke off just before lunch I said there were a few questions we would like to ask about gas. Would you like to give us your views as to which markets are likely to return the best net price to the producers; either the east or the middle west or the northwest, and the prospects of selling gas in those markets.

MR. KARTZKE: Let me be sure I understand your question. Your question is, which of the markets would return the best price to Alberta producers. The second part was, what were the prospects of being able to sell gas to those markets?



THE CHAIRMAN: Yes.

MR. KARTZKE: As far as the latter part of the question is concerned, I think the industry is pretty well of the opinion that we will, in the reasonably near future, sell gas to markets in the Pacific northwest, markets in the east, and markets in the great lakes area.

As to the price that might be returned, as you are well aware there is a great conflict of opinion as to what market will, in the long run, return the best price, and I do not believe you could find any over-all opinion which would express the opinion of the industry in that regard.

THE CHAIRMAN: Would you like to express your own opinion?

MR. KARTZKE: My own opinion would be that under normal circumstances, that is, the industry being allowed to produce gas in what we might call a normal way, the largest market closest to the source of supply should be able to return the largest return to the producer; and obviously that would be the Pacific northwest market.

THE CHAIRMAN: When we were in Edmonton the Alberta government, in its submissions, recommended the creation of a national energy committee, which would study the problems and prospects of all sources of energy in Canada and make recommendations as to



how they should be used in the best interests of the country. Perhaps the Alberta government did not recommend it, but there was at least an inference that there might be some system of control introduced over the uses of energy sources.

That is a suggestion which we expect to have made to us later this afternoon. Earlier this morning Mayor Mackay suggested that there should be some control over the end use of gas; as he put it, it should be used for space heating purposes.

I do not know much about it, to be frank. Would you care to express any view, first of all as to whether in the interests of the country as a whole there would be any benefits to be derived from some form of supervisory authority or advisory agency over the whole field of energy; and second, whether in your opinion there should be any control on the sale of gas in terms of end uses?

MR. KARTZKE: The petroleum association has already expressed itself to this extent; that it feels there should be some talks, not only nationally but more with regard to the international problem, with regard to the use of gas and oil, so there would be a broader view of the whole picture and perhaps some broad policy questions settled which would allow the industry to





progress in both countries, to the economic advantage of both countries.

As far as the other part of the question is concerned, as to whether there should be some control of the end use of gas, I think if the industry were polled, being businessmen they would say they would regard the laws of economics as a good control in determining whether you would use gas, coal or oil.

THE CHAIRMAN: On the first point, your suggestion there there should be consultations or discussions at an international level, I expect you would find a lot of people would go along with that if they thought it was likely to come about soon; but I presume when the Alberta government made this proposal -- and it is not perhaps a proposal that is completely new -- they thought there might be some advantage in Canada having a look at the situation from the standpoint of Canada, as a first step, until a broader approach seemed possible. What would you think of that?

MR. KARTZKE: Well, I think if the industry were polled it would probably come back to the same thing, and say that we think the normal economic laws would act under those circumstances as well as they do in our normal business.

THE CHAIRMAN: Normal economic laws do not necessarily apply completely to a



country like Canada, though. Because of the geography there are many things that have been done in the past and presumably will be done in the future that perhaps offend a continental approach.

MR. KARTZKE: I wish I could be of more assistance on that. I do not think I can.

THE CHAIRMAN: Well, of course, what some people have suggested is that it might be wise to go slow on the sale of gas in the immediate future, on the ground that even if the estimates of future reserves are conservative, there will not be an inexhaustible supply, and it might be one of the things we could afford to sit on a bit.

MR. KARTKZE: I think industry would reply to you in that regard as Mr. Morrman did this morning; that technology being what it is, energy sources are always being discovered, and we as an industry would not like to sit and wait with our resources and have them replaced by some other energy source.

THE CHAIRMAN: This is my last question, and I want to go back to one point we discussed this morning. In your forecasts of the markets for oil, I think you said the present relationship was two-thirds Canadian sources and one-third export, and that in your forecasting for the future -- granted that it is



subject to all sorts of variations when the time comes -- you are basing it on the assumption that that proportion would continue.

I suppose it follows, then, if that does occur, that the rate of expansion of the oil industry will be conditioned by two factors, the increase in the population and the increased consumption per capita, which presumably will be expected to rise steadily in the future as it has in the past. Is that a fair assumption?

MR. KARTZKE: That is correct.

MR. GRAUER: Bearing on that last point, according to the chart it would appear that the lines of production and demand run very close together. If you had an increasing consumption per capita, would it not pull that curve away from the production curve in the future? You expect the demand to grow with the population?

MR. KARTZKE: This demand curve does diverge from the population increase.

MR. GRAUER: There would be the same relationship between production and demand all the way through?

MR. KARTZKE: That was our basis in constructing the material.

MR. GRAUER: If I understood you correctly, you thought the surplus position in the United States would disappear after a





relatively few years and that the trend would be more toward a scarcity situation with respect to oil. Was that factor taken into account in this projection of demand for Canadian production? That is, presumably there would be more export of Canadian production to the United States than in the past.

MR. KARTZKE: If I understand you correctly I would answer your question by saying that we have forecast that exports are going to increase.

MR. GRAUER: You have taken that into account in your projection?

MR. KARTZKE: Yes.

MR. GRAUER: There is only one other point I want to inquire about. On page 4 in the second last paragraph you refer to "legislation encouraging free enterprise will be of prime importance." Did you have anything specifically in mind in that statement?

MR. KARTZKE: I think what we had in mind there was that all legislation which tends to place controls on the industry will reduce the effectiveness of our endeavour, and the fewer controls we have the more incentive there will be for the industry to be very active in western Canada.

MR. GUSHUE: I had that same question in mind. Would it not be better worded if you said that legislation would not interfere



with free enterprise, rather than legislation encouraging free enterprise?

MR. KARTZKE: That is right.

MR. STEWART: With regard to the export of gas from the province of Alberta, as I understand it there will be a gathering system, and there will then be the interprovincial pipeline. Could you describe to me the process of price determination at the different points; at the wellhead, to the gathering system, to the interprovincial line, and at the end of the line?

MR. KARTZKE: The Trans-Canada pipeline will come to the provincial border. It is presumed -- and I say it is presumed because that seems to be what is happening -- that Trans-Canada will contract for gas at that point on the basis of an agreed price, and on the basis of an agreed gathering cost. Further than that I do not believe I can go.

MR. STEWART: That would be an agreed price at the wellhead, plus?

MR. KARTZKE: It is my understanding that the agreed price will be at the interprovincial border.

MR. STEWART: So the price at the well will be the contract price at the border less transport costs, which would mean a uniform price in all fields?

MR. KARTZKE: No; I am quite certain



that will not be the case. However, I would like to ask that you direct that question to Mr. Loughney, who is going to be here this afternoon, who has signed a contract and is much better qualified to answer that question than I am.

THE CHAIRMAN: Well, thank you, Mr. Kartzke. We appreciate the help your association has given to the staff of the commission, and also the brief which you have presented and the way in which you have answered the questions, or some of them. Dr. Davis, of our staff, whom I expect you know, is here today. If he may he would like to call on your people, Mr. Diamond, and your office later on today or tomorrow and perhaps go into some of these questions with you a little more fully. In the meantime we are grateful to you and to Mr. Morrman and Mr. Diamond.

MR. KARTZKE: Thank you.





THE CHAIRMAN: The next submission will be made by Mr. E.D. Loughney, vice-president of Canadian Gulf Oil, which we will mark as Exhibit 62.

MR. LOUGHNEY: Mr. Gordon and members of the commission, first I would like to introduce my colleagues, Mr. Walcott, Mr. Blackstock and Mr. Anderson.

Then we would like to thank you for the privilege of appearing before the commission to outline our views with respect to probable developments in the petroleum industry in western Canada over the next 25 years. This forecast is based on the past history of Canadian petroleum operations, with certain references to United States industry experience where applicable. They are made assuming that economic and political conditions exist which would not be unfavourable to the oil and gas industry and would permit normal exploration and development to be carried on.

Coming to crude oil resources, it may be noted on the charts which accompany our submission that the remaining reserve of crude oil in western Canada has increased from about 70 million barrels at the end of 1946 to about 2.2 billion barrels at the end of 1954. Although wildcat and development drilling was erratic in early years, there appears to be a trend developing over the past three years in that between 700 and 800 wildcat wells have been drilled per year,



resulting in the drilling of an average of 1,150 successful development wells each year. We believe that the geological prospects in western Canada are such that, barring any major change in economic conditions, it is reasonable to assume that over the years an average of 1,150 successful development wells will be drilled each year in western Canada, thereby increasing crude oil reserves approximately 350 million barrels per year. The graph of remaining future reserves constructed on the basis of a 350 million barrels per year increase is shown on Exhibit 1.

Estimated production from western Canada oil fields to arrive at remaining reserves is based on a study of the market outlets available to Canadian producers and what they may expect in the future. The market outlets for western Canada crude have grown from about 46,000 barrels per day at the end of 1946 to approximately 300,000 barrels per day at the end of 1954. The normal growth of population, consumption per capita and exports to the United States indicate that production from western Canada should reach approximately 525,000 barrels per day by 1960, and 600,000 barrels per day by 1965.

In order to continue drilling wildcat and development wells at the rate assumed for the purposes of this forecast it is fundamental that a large area geologically favourable for



prospecting be available under proper economic conditions. In view of the fact that some 900,000 square miles of western Canada is potentially favourable for petroleum deposits and that only 500,000 square miles have been partially explored, plus the fact that only a very small percentage of this land has been actually proven productive or barren, we believe that the opportunities will exist for an active exploration and development programme for many years to come. By the time the readily accessible parts of Canada have been fully developed, new techniques and equipment will undoubtedly make the difficult terrain of the far north country more accessible for exploration and drilling operations.

A summary of the remaining crude oil reserve data presented on Exhibit 1 is as follows:

	<u>Year end</u>				
	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1980</u>
Remaining crude oil reserves, billions of barrels -	2.6	4.0	4.75	5.55	6.9

Dealing with natural gas reserves, since the development of natural gas fields has been slow due to a lack of market, data on gas reserves has been rather sketchy in the past but it is generally accepted that Alberta's gas







reserves have increased from 2.3 to 3 trillion cubic feet per year for the last four years. Large gas deposits are being developed in British Columbia and light crude oil, high gas-oil ratio, fields are being discovered in Saskatchewan, which makes it reasonable to assume that the gas reserves of western Canada could increase by 3 trillion cubic feet per year over the next several years.

Natural gas production estimates were prepared on the basis of local consumption on the prairies as well as anticipated exports to the United States and other parts of Canada through the Trans-Canada Pipe Line and Westcoast Transmission projects. These estimates increase from an average of approximately 460 million cubic feet per day during 1955 to about 1.56 billion per day during 1960, and 1.8 billion per day in 1965.

You will note that we expect the annual increase in reserves of natural gas over the next several years to exceed annual production by a substantial margin. Thus, industry's problem with respect to natural gas will continue to be one of finding markets for continually increasing reserves. When you consider that the Trans-Canada and Westcoast projects will serve most of the available markets in Canada, the need for extensive export markets becomes apparent.

A plot of the estimated remaining



natural gas reserves of western Canada throughout the entire forecast period is shown on Exhibit 1. A summary of these data is as follows:

	<u>Year End</u>				
	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1980</u>
Remaining natural gas reserves, trillions cubic feet at 14.4 psi and 60° F.	17.5	30.0	41.0	51.5	73.0

As to natural gas liquids, an investigation of the relationship between natural gas reserves and natural gas liquids reserves in the United States shows that over the past ten years an average of 34 barrels of liquids have been discovered per million cubic feet of gas. Since Canadian statistics show this figure to vary between 23 and 58 barrels per million, it is thought that a value of 34 barrels per million cubic feet should be satisfactory for forecast purposes.

The production of liquid gas products should average about 7,300 barrels per day during 1955 and increase to about 19,700 barrels per day in 1960.

Future estimates prepared on the basis of the above data are presented on Exhibit 1. A summary of these data is as follows:



	<u>Year End</u>				
	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1980</u>
Remaining natural gas liquid reserves, billions of barrels	0.300	0.780	1.200	1.700	2.550

### Sulphur Reserves

Sulphur reserves already discovered in western Canada have been estimated to be between 15 and 20 million long tons. Since no reliable trends are available, no attempt has been made to forecast the reserves increases over the next few years. The production of sulphur, however, is expected to increase from about 60 tons per day in 1954 to over 1,700 tons per day during 1960. The production of sulphur from 1955 to 1960 may, therefore, be about 1.5 million tons. This, I might say, is premised on the timetable of both Westcoast and Trans-Canada, since most of the sulphur will be produced from hydrogen-sulphide gas.

MR. GRAUER: I wonder if you could give us some information about the problem of the disposal of by-products -- and I understand it is a problem.

MR. LOUGHNEY: Well, we have recognized that the disposal of the by-products of gas is going to be a very important and difficult problem.

There is no practical manner to





control the by-products. If you produce the gas you are going to get the by-products with it. We have given considerable study to the problem. We feel that as far as the natural and propane gas are concerned, those two products will find markets. I do not mean by that that we will not have our problems, but we do not feel they will be extended over any period of time.

The matter of finding a market for butane, however, is a very serious problem, and we do not have the answer to it. As far as sulphur is concerned, we have been somewhat encouraged by the inquiries we have had since we announced the projected plant at Pincher Creek, and we anticipate that eventually we will be able to find a market for that sulphur, although it will probably take stockpiling rather extensively until we do develop those markets.

MR. GRAUER: How does the tariff situation affect the by-product market?

MR. LOUGHNEY: At the present time there is no tariff on sulphur, and it is my understanding that there is a tariff, or there would be a tariff, on the export of butane or propane to the United States.

MR. GRAUER: You say there is?

MR. LOUGHNEY: There is no tariff on sulphur.



MR. GRAUER: But on butane?

MR. LOUGHNEY: There is on butane and propane.

MR. GRAUER: Is that a crippling tariff?

MR. LOUGHNEY: Well, it would be crippling from the standpoint of the producer. How serious that might be would depend on the price of the product. At the present time I would not care to say, because the markets fluctuate quite a bit.

MR. GRAUER: So the tariff situation is not helpful?

MR. LOUGHNEY: No, it is not.

THE CHAIRMAN: What additional industries might be expected to come to the producing areas as the result of stepped-up production of oil and gas? Do you expect that other industries will be attracted to Alberta?

MR. LOUGHNEY: Well, we have been encouraged by the number of inquiries we have had, particularly with regard to the potential supply of butane.

MR. STEWART: Mr. Loughney, I believe your estimates on page 2 of remaining crude oil reserves are significantly lower than those which Mr. Kartzke presented. It may be that they are not comparable; I am not sure of that. Perhaps you have had time to consider them in relation to one another?



MR. LOUGHNEY: No, we did not. We made our estimates independently. There may be some differences, but I think probably that would be due to the fact that this was based on the number of wildcat wells and the productive wells; and the reserves on an annual basis of 350 million is pretty generally accepted throughout the industry. Aside from that, our study has been made independently of theirs.

MR. STEWART: And the difference just arises from the different basis of projection?

MR. LOUGHNEY: I think that is right. I have not had an opportunity to study the matter.

MR. STEWART: Might I ask particularly in reference to the statement appearing at the top of page 3 in regard to the development of natural gas fields, and some further comments a little further down the page.

In giving his evidence, Mr. Kartzke made the statement that when people take out an exploratory lease or reservation they do not know whether they are going to find oil or gas, and that in fact exploration was for oil. Is that substantially correct?

MR. LOUGHNEY: Yes, sir.

MR. STEWART: There is no area of the province in which it could be expected that you would find nothing but dry gas fields?







MR. LOUGHNEY: No. There are areas in the province where the history as we know it now would indicate -- for example, in the south-eastern part of the province the chances of finding gas or oil might be on the side of gas. In the foothills, which contain the largest gas deposits, we would expect that maybe the future would be the same as in the past; but still you cannot make that as a flat statement.

MR. STEWART: Then how does the provision of a market for gas provide an incentive for the search for gas? It really does not; it provides an incentive for the search for oil?

MR. LOUGHNEY: It provides an incentive for exploration.

MR. STEWART: But we have already agreed that the exploration is for oil.

MR. LOUGHNEY: The difficulty we have right now is that we have a market for let us say half our product. If we find oil, we have a market for oil. If we find a gas field, we have no market or very little market for it. So if in a large exploration programme we find either oil or gas it gives us an incentive which we do not have at the present time.

MR. STEWART: I realize that, but it does seem to me that it is more an incentive to search for oil, which is the product you



people are looking for.

MR. LOUGHNEY: I agree that our primary search is for oil, but we are quite happy when we find gas if there is a market.

MR. STEWART: But it will add to the incentive to search for oil?

MR. LOUGHNEY: That is right.

MR. STEWART: I wonder if I might ask you the question I was asking Mr. Kartzke with regard to the pricing of gas for export at the different levels?

MR. LOUGHNEY: Yes, sir.

MR. STEWART: Would you like me to repeat the question?

MR. LOUGHNEY: If you would, please.

MR. STEWART: As I understand it, there will be presumably a wellhead price and a contract price at which gas is bought by the interprovincial line. Then there will be a price, presumably, at the other end of that line. How are these several prices going to be determined?

MR. LOUGHNEY: Well, there is not really a wellhead price in the strict interpretation of that term. The present plan is that the producers in the field will gather their gas to a central point, whether it be a dry gas field or a wet gas field. In our case, using the Pincher Creek field, by the very nature of the field we will require to gather the gas



for processing.

Our contract is at the tailgate of the plant, at which point the Alberta trunk line will attach to our plant gate; and there is a price which we have agreed to at that point.

In the case of the dry gas field, it is the obligation of the producer to gather his gas at a central point, at which the Alberta trunk line will connect; and there is a price posted at that point.

MR. STEWART: Is this an agreed price?

MR. LOUGHNEY: It is a contractual relationship between the producer and Trans-Canada, and the Alberta trunk company will act as a transmission agency to gather the gas from that central point and deliver it to the Saskatchewan-Alberta border, at which point it will be taken by Trans-Canada.

MR. STEWART: So there can be different prices at which the gas enters the trunk line?

MR. LOUGHNEY: Yes, there can be, because it is a matter of contract negotiation between Trans-Canada and the producers of the gas.

MR. STEWART: There is no regulatory body involved at that point?

MR. LOUGHNEY: Not that I know of.





MR. STEWART: Perhaps only one contract has been completed, I am not sure; but for what length of period is the contract, in terms of price?

MR. LOUGHNEY: I can only answer for my own company, in which case it is 25 years. That is not a set price during the 25 year period. It is a starting price with an escalator; subject to negotiation.

MR. STEWART: Then there will be one price at the point at which the trunk line connects with the interprovincial line?

MR. LOUGHNEY: There is a gate price set which was the basis for their contract.

MR. STEWART: There will be a charge for the transporting of the gas by the trunk line?

MR. LOUGHNEY: That is right.

MR. STEWART: That will be a uniform charge?

MR. LOUGHNEY: That is not quite decided.

MR. STEWART: So it is possible that if you had different contract prices at the gate, if you had a uniform rate for transporting in the trunk line, you would then have different prices at the point at which the trunk line connects with the interprovincial line?

MR. LOUGHNEY: It is possible, yes.



MR. STEWART: At the other end of the line how are the prices going to be determined?

MR. LOUGHNEY: Well, I really would not be in a position to answer that question. It is a matter of negotiation again between Trans-Canada and the utility companies that would purchase the gas from them.

MR. STEWART: In other words these things have not really been worked out yet?

MR. LOUGHNEY: No.

THE CHAIRMAN: You mentioned that there was an escalator clause in your contract, a provision for negotiation. Is that to pull it up or down?

MR. LOUGHNEY: No; there is a floor below which it cannot go.

THE CHAIRMAN: And that is the beginning price, is it?

MR. LOUGHNEY: That is right.

MR. GRAUER: Mr. Loughney, in your opinion will it be possible to transport the by-products to the west coast competitively by tank car?

MR. LOUGHNEY: Well, we have not any definite rates as yet. At the present time we are accumulating information on the amount of freight that we are going to have available, with the idea of discussing it



with the railways; but we have not done it as yet.

MR. GRAUER: I suppose naturally you hope you will be able to compete?

MR. LOUGHNEY: Well, for example there is a substantial potential butane market in British Columbia if the butane can be delivered at a price they can afford to pay, and one of the important considerations there is the amount of transportation charges.

MR. GRAUER: You have come to no conclusion on that yet?

MR. LOUGHNEY: No, sir.

MR. GRAUER: With this expanded production your forecast shows, will a by-products line be at all feasible some time in the future?

MR. LOUGHNEY: Yes, I feel it will. The difficult time is going to be in the next year or two, when the gas lines go into operation and these by-products come on the market, and the time we have sufficient by-products available to put in a pipe-line to justify its construction. But we feel that in time there will be enough products available to consider a pipe-line for the by-products.

MR. GRAUER: Would that be influenced by the tariff situation at all, in connection with the British Columbia market?

MR. LOUGHNEY: Yes, it could be.





It would depend on whether or not a pipe-line would give us an export market. It is a matter of the quantity of butane that is apt to be available, and the demand in Canada. It is just a question of distribution. If we were able to distribute the product to the centres that could use it, I feel that all the production could be used in Canada. It is a matter of whether or not that can ever be done economically.

MR. GRAUER: Coming east, how far east would you expect to be able to get the by-products on a competitive basis?

MR. LOUGHNEY: Well, at the present time not very far.

MR. GRAUER: Would you get as far as Winnipeg?

MR. LOUGHNEY: Winnipeg would be the limit.

MR. GRAUER: It is doubtful if you would be able to go further east than Winnipeg?

MR. LOUGHNEY: With the pipe-line?

MR. GRAUER: Yes.

MR. LOUGHNEY: Yes, if we had enough product to justify that length of line. But it would be quite a long line and would take quite a bit of product to make an economic project.

MR. GRAUER: That would be more likely to be a tank car movement, would it?

MR. LOUGHNEY: I doubt that you



could successfully compete in an area like Toronto, say, with Sarnia by tank car.

MR. GRAUER: But Winnipeg would be within your reach, you think?

MR. LOUGHNEY: Well, it is my understanding that there is a product being shipped out of the province at the present time to Winnipeg, and that is the basis on which I answered in the affirmative.

THE CHAIRMAN: There are a number of other matters which we would like to get your assistance with, and I was wondering whether for the next two days Dr. Davis of our staff might get in touch with your people and proceed in that fashion, which I think perhaps would speed things up a little bit, rather than ask further questions at this session. Would that be acceptable to you?

MR. LOUGHNEY: Yes, sir.

THE CHAIRMAN: Well, thank you very much. We are very grateful to you for coming, and for the help you have given.



THE CHAIRMAN: The next submission is that of the coal operators' association of western Canada, which will be presented by Mr. Whittaker, managing director of the association; and we will mark the submission as Exhibit 63.

MR. WHITTAKER: Mr. President and gentlemen, I have with me some of my associates in the association.

THE CHAIRMAN: Will you proceed, please?

MR. WHITTAKER: Mr. Gordon and gentlemen, the coal operators' association represents about 90 per cent or more of the underground production, and something more than half of the strip mine coal produced in Alberta and southeastern British Columbia.

Since 1947, and particularly in the last three years, our production has dropped down from about 7.5 million tons to 4.2 million tons, or a decrease of something over 3 million tons.

Our problem is one of markets, and it has been the principal problem for many years. At the moment there are too many alternate fuels available and being sold cheaply. Coal competes with the by-products or the secondary products of the petroleum industry, not the principal products, and as a result we find the competition is pretty difficult.

Another factor is that the railways have dieselized extensively, and our market in





railway fuel has dropped from 3 million tons a year to about 1 million tons.

In the past three years we have had two economic surveys of the industry, both of them on a short-time basis. The last one reviewed the situation up to 1960, and the conclusion of our consultants in this latter survey was that while there are a number of ways in which the sale of coal could be assisted, even if all were fully implemented the downward trend in sales still would not be halted. The consultants in that survey recommended that every effort should be made to convince the government of the necessity of creating an energy control board. They say that although temporary assistance may be given, the over-all problem will remain unless the government can be convinced that the preservation of the coal industry is in the national interest.

Acting on this suggestion, just about a year ago we, together with the United Mine Workers, met a representative group from the dominion cabinet and discussed these matters with them, and recommended some additional assistance by way of freight subventions. We also suggested that an energy control board be set up. This latter suggestion, about the energy control board, has not yet been acted upon.



As to the future, while in the main we do not disagree with the conclusions of the 1954 survey, we do wish to emphasize that this was a purely short-term analysis dealing with the period up to 1960. For the long term we feel that coal has perhaps a better future, for these reasons: one, the very size of the resource, because coal constitutes more than 90 per cent of the known fossil fuels; two, that the other types of fuel form a much smaller percentage of the energy resource, and will become scarcer and more expensive, and harder to find, and more expensive to be developed.

The third reason is that we think there are more possibilities that coal will become a cheaper fuel in the future because of improved mining techniques, because of more efficient utilization, and because of greater possibilities of entirely new uses. We feel that in the future there will be a substantially increased use of coal for thermal power, both within the province and for export of power perhaps to the Pacific northwest.

We have a lot of cheaply produced strip coal which may come into place in the power programme within the province and in the southwestern corner of Alberta and southeastern British Columbia. We have a very large reserve of bituminous coal situated close to the United



States.

In the same area we have the largest reserve of metallurgical coal west of the Mississippi river. This coal is of good coking quality. It is low in sulphur, and should be a very valuable resource.

There are two possibilities there, one of them in the shipment of coal to the United States for blending purposes with some of the coking coals of the western states. That is being carried on to a limited extent right now. How far that will grow we do not know. The other possibility is that a steel industry may be established in Alberta or British Columbia, and we would like the commission to note that over the past few years several of the largest steel firms in the United States have made extensive and repeated surveys of our Alberta and British Columbia coking coal deposits. I believe they have even gone so far as to look at the lease situation.

We feel that as the population grows in Alberta, and with more industry, the consumption picture is going to change.

In the United States we find that coal has gone through a somewhat similar period in recent years, although not so severe. Coal is certainly on the upturn in the United States, and the picture looks something like this at the present time. Twenty-five per cent







of the production is used in the utility business, in the production of power. Another 25 per cent is used in making coking steel. Another 25 per cent is devoted to other industrial uses, and the emphasis on the use of coal as domestic and railway fuel has decreased. The figure for domestic use is something like 13 per cent, export 6 per cent, and railways 5 per cent.

Just at the present time there are some interesting developments in the industrial field in the United States where, contrary to the situation in Canada, coal is being used for the production of aluminum. That is being done already in Texas, and at the present time there are two new undertakings projected for West Virginia, right in the heart of the bituminous coal areas, by the Olen Matheson Company, and the St. Joseph Lead Company. Both these projects, I believe, have as partners the Pittsburgh Consolidated Coal Company, the largest producer in America; and one of the interesting things about that situation is that they plan to carbonize the coal by fluid carbonization and make chemicals out of the hydrocarbons produced, and to use the char in the production of power in connection with the making of aluminum.

Another possibility for western Canada is the export of coal to Japan. Some years ago, in fact 18 years ago, we made some



sizeable exports of coal to the Orient. I think the situation now is more favourable than it was then; at least we are told that, and we feel that with some assistance we might develop some sizeable exports.

The trend in commercial and domestic heating at the present time is toward fully automatic equipment, and to liquid fuels. However, there has been quite a good deal of development in the matter of equipment, particularly in the commercial and small industrial fields, and we think coal should pick up some of this market.

We would like to draw the attention of the commission to a statement which appears in volume 3 of "Resources for Freedom", the President's materials policy commission. It reads:

"In publishing separately the commodity studies that deal with the major sources of energy for the United States and the free world, the commission seeks to emphasize the strong inter-relationships among energy sources. Equally important, it wishes to stress the basic importance of ample, low-cost energy, along with technology, as the foundation



on which industrial growth is built, and a prime essential in supporting national security.

The studies presented here -- on oil, gas, coal and electric energy -- were prepared to assist the commission's analysis of this important field. Recommendations are not made here; volume I of this report gives the commission's findings and views, and lays special emphasis upon the key point of the energy problem: the fact that all sources of energy must be considered not as separate entities but as the related parts of an essential whole."

I think that ties in with our stand and our suggestion that an energy control board should be set up.

As to recommendations, we have the following:

1. That an energy control board be established.
2. That both dominion and provincial governments give every encouragement and support to enlarged and expanded research programmes aimed at developing new and improved uses for coal. We are particularly interested in the possibilities





arising out of fundamental research.

3. We believe it is in the public interest that thermal power plants should make the greatest possible use of western Canada's vast reserves of coal rather than dissipating the relatively scarce reserves of natural gas and petroleum; particularly in view of the fact that even at the present time the price differential is relatively small.

4. Trans-continental and other long distance natural gas pipe-lines, as and when built, will make further inroads into existing coal markets. The history of the natural gas business in the United States has been that the great bulk of the gas is sold during the build-up period for industrial purposes on an interruptible basis at any price necessary to capture the business from competing fuels.

We believe that all natural gas should be sold at prices which cover the full cost of providing such service. Apart from the advantages of fair competition, we feel that it is inherently wrong that householders should subsidize the sale of gas at less than cost prices to industrial consumers on an interruptible short-term basis, with such gas being withdrawn later from the market or sold at greatly increased prices when the load factor has been built up. Meanwhile competing fuels have been put out of business, and it does not seem right or proper



that one industry should be allowed to completely disrupt existing industry to obtain a short-term advantage.

The foregoing recommendations by no means exhaust the subject. Our aim in this submission is to emphasize that even if the immediate prospects of the western coal industry appear rather bleak, the industry does appear to have a better future and a distinct place in the economy of this country.

In essence, the problem of the coal industry in western Canada is whether the short term policy of complete liquidation of the coal industry should be allowed to prevail or whether the long-term view is to be taken with great economic advantage to Canada as a whole and particularly to western Canada.

If western Canada is ever to realize its hopes of major industrial development and a well rounded economy rather than to continue merely as a predominantly agricultural province, content to export its raw materials, this will require substantial utilization of its coal resources. Modern society requires an ever-increasing use of metal in this industrial age. Historically no country the world over has ever established or maintained a high industrial potential without the extensive use of coal, coke and power.

Metal and metallurgy has in recent years been responsible more than any other factor



for world progress and our increased standard of living, and great as has been the contribution of liquid fuels, our present day progress has been based primarily on metals and metallurgy, which in turn are based on coal, coke and power.

It is essential therefore that the coal industry of this province be not written off or allowed to disappear completely because of the short-term prosperity which the province now enjoys due to the exploitation of its petroleum and natural gas reserves which, though large, are by no means inexhaustible. In this regard it has been estimated that in 25 years these liquid and gaseous fuels will have been 75 per cent developed and more than half of them used, with the great bulk of the production, four-fifths or more, being exported outside of the province.

While it is true that coal reserves will not deteriorate if left in the ground, the physical and human resources which are necessary to make them available for use will meanwhile pass out of the picture unless appropriate steps are now taken to see that this does not occur.

MR. GRAUER: Mr. Whittaker, on page 3 you mention a report which is appended. Is the whole report in the appendix, or is that a selection from it?

MR. WHITTAKER: Yes, the whole report is there.







MR. GRAUER: By the way, what was the firm which made that report?

MR. WHITTAKER: The J.D. Woods Gordon Company.

MR. GRAUER: That ought to be a good firm. I may not put these questions in related order, but on page 6 of your presentation it is stated:

"With some relatively modest reductions in prairie freight rates, some of these coals could be moved to more distant plants and still compete with natural gas and residual oils."

Approximately how wide an area should that statement have in mind?

MR. WHITTAKER: Well, there is some coal from Alberta being shipped into Saskatchewan now. It meets competition of Saskatchewan residual oils and also with some natural gas in Saskatchewan. I do not think a firm policy has been determined. They are kind of feeling their way along, but certainly at the present time we are selling only about one-third of the coal to the Saskatchewan plants that we were selling two or three years ago.

MR. GRAUER: Would the Winnipeg market be possible with these reductions you have in mind?

MR. WHITTAKER: I do not think it



would, in the power field. The Saskatchewan lignite mines are very much closer than we are, and enjoy a freight rate of about half what we have.

MR. GRAUER: The freight rate reductions which you have in mind there, are they the type which you think are possible?

MR. WHITTAKER: Well, we think freight rates generally are too high, just as a general principle, and that if they were lower we would sell more coal. Distances are long in this country, and I think the average coal movement in Canada is something in the order of 600 miles, let us say. In the United States the average coal movement is something like 250 or 275 miles. So that in itself constitutes quite a handicap.

MR. GRAUER: In the past the freight subventions have been of some help?

MR. WHITTAKER: Yes, they have.

MR. GRAUER: Do you think you have much hope for that in the future?

MR. WHITTAKER: Well, I would like to be pretty specific about this. The subvention provisions have been of great assistance to us and are of great assistance to us now. On the other hand, if you were to ask whether the subvention assistance would be the answer to the present problem, then I would have to say no.

MR. GRAUER: It is more a thing of the past than the future, in your opinion?



MR. WHITTAKER: Well, I hope they are not of the past.

MR. GRAUER: I mean in helping to solve your problem.

MR. WHITTAKER: That is right.

MR. GUSHUE: What is the extent of the subvention on your coal?

MR. WHITTAKER: You mean in total amount?

MR. GUSHUE: No, per ton, or whatever unit you use.

MR. WHITTAKER: There are several provisions. Most of these subventions apply to Ontario. If you look at the last page of the brief just inside the cover you will see the subvention provisions.

MR. GUSHUE: That is in the brief itself, rather than in the appendix?

MR. WHITTAKER: Yes; I think they are there. No, I am sorry; they are not in all the copies. Roughly they run from \$3 to \$4 per ton, depending on whether the coal is used for industrial or domestic purposes, and depending on the size of the operation.

The over-all amount of money spent on subventions for western coal has not been large by comparison with the total expenditures. I think last year coal in the west received something like 25 or 30 per cent of the total expenditures in subventions, and the great bulk of that





subvention money was spent on subventions on railway coal rather than for domestic and industrial use.

There is a small subvention on Saskatchewan coal into Ontario. There is provision for a small subvention on industrial coal into Manitoba, although that is not operative at the present time. There is also a subvention up to \$1 a ton on coal shipped to the Pacific coast ports for trans shipment to foreign countries.

MR. GRAUER: On page 7 of the brief you refer to the establishment of a steel industry in western Canada. There is, of course, a small steel industry in western Canada now, but I take it you refer to a larger one?

MR. WHITTAKER: A fully integrated steel industry, with blast furnaces using coke, rather than just melting scrap.

MR. GRAUER: And there is quite an interesting possibility, is there?

MR. WHITTAKER: Well, two or three of the largest American steel companies have made two or three surveys in the Crow'snest pass area in the last three or four months, and just as recently as last summer; so we cannot help thinking that they are interested.

MR. GRAUER: Where would they have in mind getting the iron ore, do you know?

MR. WHITTAKER: Well, I think maybe the best source would be the tailings of the



Consolidated Mining and Smelting Company. There is also some iron at Burmis. Whether the deposits are large enough I do not know.

MR. GRAUER: There is some iron ore being shipped to Japan now from the Pacific coast?

MR. WHITTAKER: Yes.

MR. GRAUER: But again it is pretty hard to say how large the deposits are.

MR. WHITTAKER: And I do not know how the freight would affect the cost of coal, getting it that far. If you take the sources close by home, there are those two, and the further one is Texada island.

MR. GRAUER: On the same page you refer to exports to the Orient, and you say long-term contracts appear possible. Having in mind the approximate period of our terms of reference, of about 25 years, is that an area where you would expect some considerable development in coal exports?

MR. WHITTAKER: Well, they talk about as much as 20 years.

MR. GRAUER: And do they talk in terms of substantial tonnages?

MR. WHITTAKER: Yes.

MR. GRAUER: The forecast in the report in connection with tonnages is a little over 5 million, if I remember correctly, by 1960. How has that forecast turned out in terms of development so far? Is it low or high or on



the beam?

MR. WHITTAKER: I think so far it is pretty well on the beam. It still has five years to go.

MR. GRAUER: That augurs well for some of our forecasts, then. Turning to the recommendation about the energy control board which is in the report, have you mind that it would control all sources of energy; that is, electricity, hydro and thermal, nuclear, coal, wood, manufactured gas, natural gas and oil?

MR. WHITTAKER: I think you have to do that, Mr. Grauer, to make it of any use.

MR. GRAUER: Just offhand it begins to look complicated.

MR. WHITTAKER: Yes, it does.

MR. GRAUER: Connecting the proposal about the energy control board with some of the measures that you think might be enacted on page 44, on page 42 your report says:

"It should also have the power to decide what sources of energy should be utilized at the present time for various purposes."

Some of the specific measures on page 44, which would permit gas and oil to be used for one purpose but not for another, raise quite a question of public reaction.

MR. WHITTAKER: We appreciate that





there are some difficulties.

MR. GRAUER: If it were related to a national emergency, I take it that would be pretty much in the hands of the federal government now. If anything could be related to a national emergency the federal government would have power to act. This is a recommendation, of course, that has been advanced from the point of view primarily of the coal industry, with the idea of taking you through this very difficult period you see for the present, and for some years; but from then on you are optimistic about the long pull?

MR. WHITTAKER: Well, certainly it is not going to be a short period of time. Perhaps 10 years might be a good guess. As far as paragraph "C" is concerned, that is the recommendation of our consultants.

MR. GRAUER: I realize that.

MR. WHITTAKER: As far as the railways are concerned, we feel that they are subject to a good deal of regulation right now, and we are anxious primarily to see them make some money, and see their rates come down. We just hope that the railways take a long-term viewpoint and do not govern themselves entirely in their thinking by just what is at the bottom of the balance sheet today.

After all, they are in the transportation business, and they have to have something to haul in the future. Three or four



years ago 40 per cent of the tonnage of the railways in Alberta was coal. That is a pretty sizeable piece of business for the railways. We think it has been of value to them, and we hope the one railway which continues to burn coal will continue to see it in that light for some time.

MR. GRAUER: Do you think it would be a reasonable statement to say that the types of energy other than coal would be less enthusiastic about a national energy control board?

MR. WHITTAKER: Well, I guess nobody particularly likes to be subject to controls. I do not think the coal industry itself does, and I suppose everybody wants to make money as and when he can, and as much as he can. Perhaps some forms of energy that are in more fortunate circumstances than coal would like to be free of any and all controls. That is to be expected. Whether or not that is in the public interest, however, is another question.

MR. GRAUER: The proposal in reference to the export of power made from coal to the Pacific northwest in the United States, I take it, is something you hope will come within this 10 year period?

MR. WHITTAKER: Well, there has been some talk of it in recent years. We know there are some difficulties, but we also know that the power shortage does exist there, and that all the better and cheaper hydro sites are gone.



While the state of Washington does have some coal of its own, it is limited in reserves and more or less high in cost, and we know that the coal in Utah and Montana, while the reserves are pretty sizeable, they are not very well located.

MR. GRAUER: There have been negotiations during the past few years on this point, and I do not know just what caused them not to go through to a conclusion, whether there were some pretty basic problems. It could be, for instance, that the Americans were waiting to see what would happen to the development of the upper Columbia. I do not know whether you can throw any light on the possibility of that.

MR. WHITTAKER: Well, I think like many other things there is a diversity of interest. Many people across the line would like to develop the hydro sites regardless of cost. Naturally some of them want franchises and want to stay in business if they can, and they would prefer to do it rather than have somebody on this side of the line do it. I suppose there are a lot of things like that which enter into the picture.

MR. GRAUER: In your recommendation respecting fundamental research, have you any specific proposals in mind?

MR. WHITTAKER: That allusion is not one of a critical nature. We have been working very closely with the Alberta research







council and also with the fuel research laboratories in Ottawa. Both of these organizations are doing good jobs.

We do not think, for instance, that enough money is being spent on research by government. You may ask what industry is doing. Certainly research has paid off for some of the industries, like aluminum, electronics, atomic energy and so on. We think more money could be spent to advantage.

One of our difficulties in connection with coal is that the coal industry is made up of a lot of relatively small companies who do not have a lot of money to spend. There is also, right within the industry, a considerable diversity of interest in the way of markets and so on. I think in recent years we have reconciled a lot of these differences, and I think we will reconcile more of them in future, but we would simply like to see more money spent on research, regardless of who does it. We think it will pay off.

MR. GUSHUE: I do not like to ask embarrassing questions, and under the circumstances this may be one. On page 29 of the report this statement is made:

"For this reason any extra demand for coal in the future to meet the country's energy



requirements will mostly  
benefit United States mines  
rather than the Canadian mines  
in the maritimes or in western  
Canada."

Would it be embarrassing to ask if  
that is a part of the report with which you  
disagree?

MR. WHITTAKER: No. That refers  
to the preceding paragraph on page 28. I think  
that is quite a factual statement. Actually  
what it does is explain something.

In other words Mr. C. L. O'Brian  
of the dominion coal board has got out a series  
of reports on energy requirements, and in this  
report he has predicted that in the future there  
will be a tremendous increase in the requirements  
for coal. A lot of people, particularly in the  
west, seize upon that and say, "Well, there is  
your solution right there."

This paragraph simply points out  
that the big requirement for coal will be in  
Ontario, and that coal will come from the United  
States rather than from western Canada, and that  
as a result it would not assist the western  
industry particularly.

MR. GUSHUE: The western industry,  
of course, cannot compete with the United States  
coal coming into central Canada?



MR. WHITTAKER: No, not as a general principle.

MR. GUSHUE: Nor can it compete with the natural gas or the oil that is being produced in the same area?

MR. WHITTAKER: That is so.

MR. STEWART: Mr. Whittaker, what has happened to the workers who have lost their employment in the mines?

MR. WHITTAKER: The average mine worker is a pretty versatile gentleman who can turn his hand to quite a few things. A good many of them have filtered into other industries such as lumbering, driving trucks, construction and so on.

Where the shrinkage in the industry has had the bad effect has been on men who have been past middle age; who have spent all their lives in the industry, and who are not so adaptable; who had their roots in one particular place for a long time. They find it hard to get out and adjust themselves to a new life.

As far as the young fellows are concerned, I do not think it has made any particular problems for them than in other industry.

MR. STEWART: In past periods of expanding employment, where did you draw your new workers from?

MR. WHITTAKER: Most of the people





who have worked in the coal industry, at least the underground workmen, have been European. They have been English, Scottish, Welsh, Italians, Slavs, Czechoslovakians and so on. Generally speaking the recruitment has been either from European labour or else second generation people who have grown up in the industry itself. You see, there are a great many people who do not like to work underground, whether it be in a metal mine or a coal mine.

MR. STEWART: I am really thinking about what will happen when your production starts to expand again, where you will draw your workers from then.

MR. WHITTAKER: We are having trouble right now. The domestic coal industry is going back to a seasonal operation. During the war years it operated pretty well all the year round and the mines were able to keep their crews through the whole year.

Now we are finding that with slack times in the summer you can only afford to keep your key men, and many of your personnel are going to be laid off. Then when fall comes and the cold weather, particularly with so many other employment opportunities, we are short of men. Some of our mines are short of men right now, and could produce a lot more coal if they had the men to do it with. But there is so much other employment, in the



construction industry and so on at the moment, that they do not get all the men they need; and while we may get them a little later on, we do not get them as early in the season as we would like to have them.

If the present situation deteriorates further, that position will become more accute as time goes on.

THE CHAIRMAN: Thank you very much, Mr. Whittaker. We are very grateful to you for appearing for the submission of this brief. I shall refrain from commenting about the appendix.

Now I think we should take a short recess.

---Recess.



---After recess.

THE CHAIRMAN: Shall we come to order, gentlemen. Mr. Brownlee, we will mark your submission as Exhibit 64, and we will be grateful if you will proceed to present it to us.

MR. BROWNLEE: Mr. Chairman and commissioners, we wish to thank you first for the invitation to present our views before your commission, and I would like to express my regret that we were not able to get our brief before you earlier.

Unfortunately the invitation came at rather an awkward time for us, with our annual meeting just a week or so ago, and we found it very difficult to complete the preparation in time.

If I may, sirs, I will not read the brief completely, but there are parts where I believe I can really save time if I confine myself to the manuscript rather than attempt to speak without reference to it.

We start first of all on page 1 with a reference to our company, which I shall not read, anymore than to say that it is the oldest farmers' cooperative grain handling company in western Canada, having been organized in 1906.

There are about 50,000 farmer shareholders. We usually have about 300 delegates





to our annual meeting, representing the locals of shareholders across western Canada.

We operate 685 elevators in the three provinces and the Peace river block, with terminals at the lakehead and Vancouver. We also have an extensive farm supply business and we publish the "Country Guide" the "Canadian Cattleman", and we are affiliated with the Canadian Federation, and the Manitoba and Saskatchewan Federations of Agriculture, and make grants to the farmers' unions. We therefore have a contact with the farming industry across the provinces.

The nature of the grain industry of western Canada makes it difficult to forecast its trend in other than the most general way. It is essentially an industry which produces for export. It is, therefore, affected by international movements, by balances of trade and by governmental policies in other countries, which affect not only the domestic production of grain, but the limitation of imports into the respective countries. It is a hazardous industry. Not only may crops for a single year be affected by drought, rust epidemic or widespread and early frost, but history shows that crop production over a series of years may be thus affected. For example, we have heard very little for the past 10 years of the Palliser triangle. But unless we are to assume that the climate of western Canada has



permanently changed, we must look for a recurrence of those drought conditions which until a decade ago led substantial areas to be classed as semi-arid. A study of the records of bushels per acre since the beginning of the century will disclose no pattern which can be taken as a guide for forecasting production in any particular period.

It is important and interesting to note that a large part of the world's best hard wheat is produced on lands, both in Canada and elsewhere, on which yields are extremely variable, depending mainly on rainfall. This applies to the hard red winter wheat area of the United States, no less than to western Canada.

Canadian agriculture as a whole is the most important single industry of the country. It is likely so to continue. A few years ago there was no occasion to stress such facts, which were in the common consciousness. They require repetition now, since they tend to be cast into shadow by the glamour associated with the rapid development of other industries.

Then we indicate the percentage of Canadian car loadings which was taken up with agricultural produce, about 19.7 per cent, and point out that if an estimate could be made of the carloadings of consumer goods for farmers, it might work out to approximately 25 per cent.

We deal also with figures for



employment and the trend of farm population on page 4. You have had that information from others, and I will pass that part of our submission for the moment and go to page 4 under the heading of "An export industry."

Some such reference to Canadian agriculture as a whole is required since western grain growing cannot be considered apart from the whole. For one thing prairie farmers annually provide a large volume of grain to be fed by other farmers to livestock, both in British Columbia and in eastern Canada. Such sales have been stimulated by the federal freight assistance policy of which you will be informed. As the result of it, and of an annual subsidy of I believe from fifteen to seventeen million dollars or more, extensive livestock production, which otherwise would have taken place on the prairies, has developed in eastern Canada and in British Columbia. The arrangement has other implications. The prairie grain grower is producing primarily for export and not mainly for the domestic market. If he cannot sell his grain for export he will be driven to seek some other outlet. If he enlarges by very much his present production of livestock and poultry and their products and forces these into other provinces for domestic consumption, he will create a serious problem for the farmers there who have been enjoying the local market. For







that reason it is not only the western farmer who is concerned about export trade. Canadian agriculture as a whole is to be considered an export industry, and not merely that part of it which is conducted on the prairies. Such dependence upon export outlets for western grain is not only a present and an historic fact. It will continue for as long as the future can be envisaged, in spite of any foreseeable changes in the Canadian economy or growth in the country's population.

Such population growth, which doubtless you will feel justified in predicting, will mean an annual increment in the domestic absorption of western grain. Cumulatively over 5, 10 or 20 years that will amount to many million bushels. But it will not, in the foreseeable future, provide an alternative to the export outlet which western grain now requires. Nor, in our expectation, will it operate to reduce the quantity of western grain for which an export outlet must be sought. We should rather expect a sufficient increase in western grain output to balance increased domestic demand. Such increase is both possible and probable, for reasons to be referred to later.

I am going to pass by the next paragraph, in which I make some comment on the ability to export grain in the form of livestock, and I point out that the great



trade in bacon for the British market has disappeared. We are not likely to produce large quantities for cheese as export, as we once did. We have shipped "hogs, cattle, pork and beef to the United States in some volume, but that trade is small at the moment; and while we expect that that will be resumed, it is difficult for the moment to project just when the movement will commence again.

Now I go to page 6 under the heading "World population growth and rising living standards."

What then leads to the expectation that western Canada will continue to find an export outlet for its grain? Two answers may be given:-

First, steady growth in world population has provided such outlet in the past and presumably will do so in the future. Population growth in Russia and in India including Pakistan shut off former wheat exports from those areas to the United Kingdom, and left a gap to be filled by Canada when prairie agriculture began to develop. Hungary and other countries of the Danubian basin, formerly the granary for western Europe, no longer export food to that area. Egypt, which once fed imperial Rome, now imports wheat. So also it is population growth in Japan which results in that country importing grain at an increasing rate.



Second, the trend toward higher standards of living, although in places it reduces the human consumption of cereals, calls for more grain to be fed to livestock and poultry, as well as a diversion of land to other products than wheat.

We leave the question of the percentage rate of increase, arriving in our own mind at possibly about 1 per cent compounded annually; and now referring to page 7, on the basis of such figures and of past predictions inquiry is justified as to why there is no current food shortage but instead a world food surplus. A few years ago there was complete confidence that demands from abroad would absorb all food Canada could produce for export. A wheat surplus which accumulated during war years just as large as the present one, melted away as soon as the submarine threat to sea transport disappeared. An international committee rationed available supplies of Canadian wheat among hungry countries. A food and agriculture organization was set up by the United Nations in the belief that intensive organized effort was required to avoid widespread malnutrition and even starvation. Nutritional experts proclaimed that a great part of the world's population, even in prosperous countries, was inadequately fed. Twice, in 1949 and in 1952, various importing countries eagerly signed an international wheat agreement to make







sure of their ability to buy wheat when they might need it. Alarm was constantly expressed as to the rate at which population growth was outstripping any possible growth in food resources. Several reasons explain why expectations of earlier years have not been borne out and why instead we have a food surplus problem. Abundant rainfall and good crops in North America during recent years, while an important contributing factor, are only part of the story.

Then I have the heading "Agriculture's industrial revolution."

A very important reason, which so far has escaped general notice, is the disappearance of the horse, from the farm as well as from the city, in Europe as well as in North America. Not only has the farmer lost a market in the city, which he formerly enjoyed, for hay and oats; he has also to dispose of the produce of the land that used to provide for his own horses. Oil wells have replaced farm land as a source of energy for motive power. Agriculture, thus relieved from a former task of great magnitude, is able to produce more abundantly food for human beings. The effect has been greater in the more densely populated countries of Europe than in Canada.

Agriculture has also had considerable relief from another task, that of clothing the world's population. Wool, linen, cotton and silk have been the historic fabrics



from which clothes have been made. The world's supply of these would fall far short of present needs for clothing had it not been for the development of artificial fibres derived from wood, coal and oil. Without these new fibres land, labor and capital, which during recent years have been available for food production, would have had other employment and the world's food supply would have been much smaller.

Only a few years ago Australia cut its exports very greatly because of the need of using the land for sheep, and the development of these fibres has brought Australia back as a substantial exporter.

We shall not attempt any detailed calculation as to the net addition which these changes have made to pre-war world food resources. But we suggest you may find it of greater magnitude, since the end of the second world war, in those areas concerned with the international food market, than Canada's contribution in the way of exportable grain. For example, the United States Department of Agriculture reports that in 1939, 44 million acres in that country were devoted to producing feed for horses and mules, and in 1953 only 14 million acres. During that same period consumption of artificial fibres in the United States increased threefold, or by something more than 1,000 million pounds annually. The Saskatchewan royal commission



found a decline of 8,400,000 acres in 25 years in the area required in that province for the support of its horse population but did not make a calculation for a shorter period.

In these two changes, and in the effects they have wrought since the end of the war, is to be found one explanation of the fact that world food supplies have kept ahead of the increase in world population.

To say that is not to accept the views of those who foresee impending starvation for many people just because the land which can produce food is limited in area. More acceptable to us at least, are the views of that school of thought which finds possibilities of indefinite expansion of productivity from presently existing resources. In this connection we might call attention to a recent book on "American Agriculture" by Ronald L. Mighell. It deals with what is described as an industrial revolution taking place in agriculture. Comparison is well justified with that industrial revolution which accompanied introduction of the factory system in England. Not only is there an increase of productivity, to the ultimate benefit of all concerned; there are also some accompanying disturbances.

Farm mechanization is doing much more than providing a substitute for the horse. Although in its earliest stages farm machinery







tended to promote extensive as opposed to intensive cultivation, it now makes intensive cultivation possible. The farmer makes better and more effective use of his labour, of the resources of his land, and of his moisture supply. He is able to concentrate his tillage during periods when it can be most effective.

Mechanization is only part of the revolution. Weeds are controlled by scientific methods unknown a few years ago; the breeders, both of plants and of animals, have provided improved varieties and strains; better methods of accomplishing farm tasks are constantly being developed. All this means that labour is being applied more effectively and capital applied more abundantly to a given area than was the case only a few years ago. Quite evidently much more can be obtained from a certain number of acres than was formerly thought possible, and the world can obtain a lot more food than it has had, but only at a cost.

Increased productivity will be forthcoming only when the price incentive is sufficient. That has been demonstrated in England and the process is under way in various countries of continental Europe. It has been most abundantly demonstrated in the United States. There, under the stimulus of guaranteed prices, the agricultural revolution has proceeded at a speed greater than necessary, so



that production, not only of wheat but of many other commodities, has outrun immediate marketing possibilities.

Agriculture's industrial revolution has also been progressing in Canada, but at a slower tempo. Price incentives have so far been lacking in Canada to bring out its full potentialities. We have had, for example, nothing in this country to match the annual expenditure of more than a billion dollars by farmers of the United States on fertilizer, or the fivefold increase in such expenditure which has taken place since 1939.

#### Outlook for world food prices.

Such considerations as the foregoing suggest an outlook, after a not very extended period, for rising food prices, required to bring forth the total quantity of food needed by a rapidly increasing world population. That will come more quickly if a year or two of unfavorable weather is experienced, either in North America or in Europe.

To accept such an outlook as is expressed in the foregoing is to imply a considerable degree of confidence in the future of prairie agriculture. A tendency toward such confidence develops from any survey of the past accomplishments of that agriculture. The capital which now provides the basis of the western economy has very largely come out of the



soil during the past half century, for the farmers who developed the west brought very little capital with them. Materials for such a survey will be abundantly available to your commission, and we venture to suggest that you would find it useful both for your own work and for the purposes of your report.

Such a view also implies that at the moment the world is in a period of transition during which food production has temporarily, but only temporarily, outrun population growth. That seems to be implied by the economics division, marketing service of the Department of Agriculture at Ottawa. Then I make a reference to the November issue of the publication of that service.

Difficulties arising during such a period may well require assistance in some form from the government to some departments of agriculture. That will be more easily justified and more readily undertaken if such difficulties can be regarded as transitory, and as confidence in the future exists.

Then we give some statistics covering present acreage devoted to wheat, oats, flax, barley and rye. It is not necessary to repeat those, since you have had them before. We take 1952 as probably representing normal expectations at the present time. In that year 25 million acres were in wheat, 18 million





acres in other grains, and 21 million acres in summer fallow. My point is that there has not been much change in the total acreage for grains in western Canada over the last generation.

Possible growth in grain production. The provincial governments will advise you in respect of districts considered still to be available for settlement and capable of expanding the farm area further to the north. These presumably will be greater in Alberta than elsewhere as in the northern part of this province there appears to be a considerable area of tillable land which can be brought under cultivation. But we should hesitate to predict that such new settlement will be rapid. New farmers, in command of capital required under present conditions, are more likely to seek improved land in districts provided with roads, schools and other amenities.

There are, however, large potentialities for expanding production on land already in occupation. From one Saskatchewan authority we have obtained an estimate of a possible 2 million acres additional breaking and clearing on farms presently occupied in that province.

A more important possibility for the long-term future is a reduction in the practice of summerfallowing which now, in some areas, occupies half of the acreage cultivated for grain,



while over the whole prairie area it accounts for one-third, and sometimes more, of the total acreage so cultivated. According to some agricultural authorities, summerfallowing is no longer as useful or necessary as was formerly considered to be the case, and particularly its value in conserving moisture is being questioned. Improved methods of cultivation and the use of chemicals now offer other means of weed control. The use of commercial fertilizers, which so far has been very limited on the prairies, is advocated as promoting some of the purposes now served by summerfallow, more on some types of soil than on others. We do not suggest that such a change can be foreseen in southern Saskatchewan and southern Alberta. But it may be important in the more northerly parts of those provinces and in Manitoba.

Then we give a few references to this possibility that in future we will not be holding as much acreage for summerfallow as we have in the past. Now I come to the heading, "The wheat surplus problem" which after all is the important one.

We must now deal more specifically with wheat. Wheat has been the foundation of western farm economy, and no change in that respect is to be expected. For the most part prairie soil and climate are more adapted to



wheat than to any other use. Western Canadian wheat has a quality advantage over all competitors, a fact highly important in some markets, and less so in others. The international wheat market is broader than that for any other agricultural commodity that Canada can produce. Wheat is cheaper to ship by sea than are lighter grains. It stores well for long periods, and especially so in Canada. Production costs are probably lower in Canada than elsewhere, and almost certainly so than in most countries.

Earlier in this submission we have referred in general terms to food, and to the fact that temporarily at least there is a world food surplus. Now to be considered is the fact that such surplus is largely concentrated in North America, in the form of wheat. That is not due, so far as Canada is concerned, to any expansion in wheat acreage, a fact demonstrated by acreage figures already before you. We have, however, had extraordinarily high wheat production in western Canada during recent years, even taking into account the one poor year, in 1954. To some extent that can be attributed to improvements in farming practice, as already discussed, which have enabled farmers to take full advantage of weather experienced. Primarily it has been a matter of climatic conditions, mainly as to the extent and timeliness of rainfall. The year 1915 still stands out in western history as the





greatest from the standpoint of wheat yield per acre; but the wheat acreage then was still comparatively small. The per acre yields recorded during four of the past five years are unmatched in any previous period of western history, and they are an amazing contrast with the low yields of the ten-year period of the thirties.

The United States has also had high wheat yields per acre. Its favorable weather during recent years contrasts with that which produced the dust bowl of the thirties, and a brief period of years during which the United States actually imported wheat to meet its domestic needs. But in contrast with Canada there was a vast expansion in wheat acreage in the United States, stimulated at first by war conditions, and subsequently by a price guarantee programme, of which you will be fully informed. That programme at the present time seeks to guarantee to farmers an average of approximately \$2.20 per bushel, farm basis, for their wheat. It has diverted to wheat production not only land, but also capital in great amounts, represented both by machinery and by fertilizer. For a time during the immediate post-war period there was export outlet for much of the extra wheat so produced. More recently, as has been the Canadian experience, wheat surplus production has out-run the possibility of export shipment.

The international wheat trade has



not grown in proportion to population increases in wheat consuming countries. Practically all of these have been stimulating domestic wheat production by guarantees of high prices to their own farmers. Equivalents of such prices, in United States dollars, were recently reported as follows. Without giving all of them, in Argentine, an exporter, the price was \$2.72 on the farm; Australia, \$2.63; Belgium, a customer, \$2.56; Egypt, \$2.18; France, \$2.64; West Germany, \$2.72; Italy, \$3.05; Japan, \$2.61; Netherlands, \$1.86; Turkey, becoming an exporter, \$2.49; the United Kingdom, \$2.30.

In importing countries such guarantees have brought about a higher wheat production than would otherwise have occurred; in some countries at least this has been due to intensive cultivation and high use of fertilizer as much as to acreage increase. But it would not have been possible to put as much land into wheat except for the developments above referred to. resulting from mechanization and reduced demands for wool and linen. On the whole weather has been good for wheat in the United Kingdom and in western Europe during recent years.

One feature of these high guaranteed prices has been important in western Europe, in the United Kingdom, and also in the United States. To benefit from them farmers have had to sell their grain for milling. They have accordingly



disposed of every possible bushel, thus cutting down any use on the home farm of wheat for feeding purposes. Also in the United States, where considerable quantities of wheat used to be purchased for feeding purposes, it has been priced out of the market for use as feed. Further, in the United States wheat acreage has been expanded in areas producing the less desirable type, which millers there or abroad do not usually want.

Various motives have been ascribed for such incentive policies in countries outside of North America. No doubt in part they are due to concern for the welfare of farmers; in part they arise from fiscal considerations, and the desire to protect exchange positions by limiting imports; in part they probably arise from recollections of wheat scarcity during war and post-war years. Whatever the motive, such policies tend to distort production into an unnatural pattern, and to produce results other than those aimed at, and to increase living costs for consumers.

There is now some evidence, even if limited, that the Canadian view of such policies as uneconomic is held elsewhere than in Canada. There is opinion, for example, in the United Kingdom, both among farmers and among others, that the national interest might be better served if farmers did not feel impelled to plow up grassland in order to share in government bounty.







One result of present policies is to shift imports from wheat to other foods and to feedstuffs.

Possibly, however, only increased need for other foods will bring about any relaxation of policies indicated by such prices as have been quoted.

Subsidized dumping. Even more disturbing at the present time are the effects of high guaranteed wheat prices in certain countries in producing export surpluses which are dumped on the international market under subsidies from governments. While the United States has attracted most attention in this connection, the French situation should not be ignored. France, which up to 1949 was an importing country, is now attempting to force into export markets, under subsidies very costly to the national treasury, a wheat surplus which may amount to 90 million bushels annually. It is thus challenging the rank of Australis and Argentina as wheat exporters. It may seem to be economic madness for a national government to encourage the production of export surpluses which must be sold abroad at a loss. Unfortunately economic madness may sometimes appear to make good sense from the standpoint of domestic politics.

Then I quote a resolution which was passed at our annual meeting a couple of weeks ago, as indicating the view of our company that as a first step in trying to improve



the situation we should support the dominion government in the protests which are made publicly, and we should do it through farm organizations, to try to bring to the attention of the United States the danger to Canada inherent in some aspects of the present surplus disposal problem of that country.

It is only recently that governments have been engaging directly in the commercial transactions of international trade instead of leaving these to be conducted by private persons. In consequence there is no such code of acceptable practice as prevails in the diplomatic relations of governments with each other. The beginning of such a code is perhaps to be found in that clause of the general agreement on trade and tariffs which forbids subsidized exports. Unfortunately there is an exception in respect to primary products, although the excepting clause endeavors to set up some safeguards. To get rid of that excepting clause should be an objective of Canadian policy in international discussions.

It will not be easy to word in general terms an acceptable ban against subsidizing the export of agricultural products. There will be danger of bringing into question policies of various countries in support of agriculture, possibly including special export freight rates. Our own suggestion is that efforts to get such a ban established should be narrowly



confined to subsidized dumping. The word "dumping" has a well-established meaning of selling abroad at prices lower than prevail in the domestic market. The practice is widely recognized as reprehensible and various countries, including our own, have laws designed to check it.

Competitive export subsidies by Canada should be considered only as a last resort. But it may be a deterrent to other countries to realize that this country might be driven to such resort if all other efforts to correct conditions should fail.

The immediate selling problem. Whatever hopes and expectations may be held for the future an immediate and urgent problem presents itself as to how to sell more rapidly than at present the accumulated wheat stocks on the North American continent. As to that we suggest an expedient on which you might be prepared to make an interim recommendation for consultation between the governments of Canada and the United States. Such consideration would be designed to bring about a massive programme designed to promote the feeding to livestock of grades and types of wheat not of the highest milling quality. In both countries there is a great deal of such wheat which is quite capable of being milled into flour for human consumption and which will be so milled in preference to







better wheat if buyers can get it cheaply enough. It can be degraded so as to make it unusable for flour by the admixture of a fairly small percentage of kernels colored with vegetable dye. It is true that there is no present world shortage of livestock feeding stuffs; neither is there any great surplus such as now appears to exist in the supply of wheat for human food. In many countries livestock consume enormously more grain than do human beings. To earmark some hundreds of millions of bushels of wheat for livestock feeding will add comparatively little, from a percentage standpoint, to existing feed supplies. Proportionately it will make a much greater reduction in what must appear to prospective purchasers to be a mountain of milling wheat. Such a programme would involve efforts in various countries to publicize and promote the use of wheat for feeding poultry and livestock. Such efforts would serve toward overcoming the existence of what might be called a moral prejudice, widely prevalent in Europe, against allowing livestock to consume what could be used for human food.

Then we have a section on the international wheat conference, which I shall not read. We simply point out that the conference is to resume discussions in February, 1956, the object being to renew the wheat agreement with wider scope. Whether or not



that is accomplished, useful results are to be hoped for. We suggest that the two past agreements have been attended with some disappointments. They did not result in expanding international wheat trade. They did not bring about any greater reliance by importing countries upon supplies to be obtained from exporters. Instead, during their term, nationalistic wheat policies have developed to an excessive extent. Nevertheless farmers of western Canada have not lost hope that an international wheat agreement, with the machinery it provides, may yet develop into a useful instrument.

Present conditions provide an entirely different background for discussions from that which prevailed in 1949 and in 1952. These should encourage enlargement of the international trade in wheat and should tend to discourage excessive incentives to domestic wheat production in various countries.

Farm finance and storage problems. Your inquiries will by this time have disclosed to you two problems arising out of the present wheat situation. One is how and where to store great quantities of Canadian grain which must be kept until opportunity arises for its sale. The other is how the farmer is to finance his operations until he is paid for his grain by way first of an initial payment, and second, when



final settlement is received. These are growing problems, which may present greater difficulties at harvest time in 1956, than have occurred in 1955. By that time a greater part of the farmers' resources will be tied up in unsold grain. The storage problem will be greater because the carryover of old crop grain on farms and in elevators will probably exceed the quantity so carried over in 1955.

It must be recognized that under conditions which now prevail it is not possible to provide elevator storage for all grain farmers may wish to deliver during the early weeks of a crop year. Inevitably the farmer must carry a good deal of grain on his own farm and good husbandry requires that he should provide housing for it. Because expense in that connection is of an emergency nature he should be able to treat it, for income tax purposes, as a working expense. In the alternative, if it must be capitalized, he should be allowed to write it off during a very brief period. Present provisions of the Income Tax Act do not allow this, and the machinery under which rapid write-off on new construction has been allowed to elevator companies would be quite unsuitable for application to farms. We recommend, therefore, amendment to the Income Tax Act in this connection.

The federal government has under





way at this time a plan for guaranteeing loans by banks to farmers on the security of farm-stored grain. Experience during coming months will show how well that works out, how far it meets the need, and whether or not it can be considered suitable for extension into another crop year. Possible alternatives or supplementary measures can also be examined and the subject should have continuous study by all concerned. It takes only a brief examination of the subject to disclose difficulties in the way of any plan for loans or advances. Such difficulties arise as to the boundaries of respective jurisdictions of the federal and provincial legislatures.

Another method presents itself for getting money into farmers' hands, without encountering administrative difficulties. That is to pay out more money on grain already delivered by farmers, by way of initial and interim payments on the crops both of 1954 and of 1955. So far such payments have been regulated so as to provide to the government a wide margin of security against possible losses. Present conditions seem to make it inevitable for the government to take some measure of risk. It will be simpler and more effective to take such risk in the way suggested than in any other.

Since dictating this we have been considering another suggestion which we thought we would put briefly before you for



examination. That is, that the government this year might pay a higher initial payment on the first two, three or four acreage quotas and then reduce the initial payment on any subsequent quotas, in order in that way to come out at the end with about the same initial payment of \$1.40. By giving a little higher initial payment on these quotas it would serve to get money into the hands of farmers.

We do not say that just for the benefit of the farmers, but for the benefit of the whole western economy, which depends upon the farmers paying for the services they require.

Quite naturally there are very large demands at present for construction of additional public storage space with a double purpose of enabling grain to be safely housed, and enabling farmers to get the initial payment thereon. Our own company has responded to a very large extent to such demands in recent years; it has added 19,000,000 capacity of which 10,000,000 bushels has been new construction; it has built more space this year, and plans still further construction as soon as buildings operations are possible in 1956. Other companies have followed similar programmes. Complete and authentic figures will be available only from the board of grain commissioners for Canada. A table furnished by that body covering new construction for the year ended July 31, 1954,



was given to the agriculture committee of the House of Commons last May, and is to be found in the printed records of that body. But it needs very brief consideration to show that on account of both physical and financial considerations any volume of new construction now possible would be small indeed in comparison with the volume of grain farmers would like to deliver. Nor can an extensive new construction by private capital be justified simply to meet a temporary emergency. For such construction to be justified it must have some prospect of permanent use, and also a prospect of recovery of its cost from earnings during its useful life. So far as concerns construction by the government, involving a large capital sum, it would seem desirable first to determine if available funds cannot be put to better and more direct use for the benefit of farmers.

The latest figures we have show total Canadian storage capacity in elevators as 585 million bushels, equivalent to the total quantity of grain which might be delivered in western Canada during a moderately good year. Of that 350 million bushels was in country elevators, 20 million bushels at the Pacific coast, 93 million at the lakehead, and 91 million in eastern Canada. Some enlargement is justified and will take place, but not to an extent to make any very great difference to the current problem.





Cost of new storage ranges from 30 cents per bushel capacity for simple annex construction to \$1.00 for country elevators or terminal elevator annexes, depending upon the type of structure. The present tariff rate for storage is 1/35 of a cent per bushel per day, making a maximum earning of 10.4 cents per bushel without allowing for idle periods, waste space, insurance, risk of deterioration in grain or operating expenses, including taxes. Quite evidently it will take a prolonged period of storage before costs can be recovered.

Present earnings from storage facilities enable elevator companies to charge much less for other services than will be necessary when corresponding earnings are no longer available. We make that remark because of occasional present comment about the burden of storage costs, and also wish to point out that earnings are being ploughed back by way of additional construction along with patronage dividends which are borrowed from customers. The tariff rate for storage is less now than it was 50 years ago, and it is only from earnings derived from storage that elevator companies have been able to construct the very extensive new facilities provided during recent years.

Another comment in connection with storage charges is called for. Only some of the



time, and only to some extent, do they represent a cost to the producer. At other times, and to a large extent, they represent a cost which is necessarily assumed by the purchaser. You will find a discussion to that effect in the records of the annual tariff hearings of the board of grain commissioners for Canada in 1950 and in 1953. You will find it demonstrated in the wording of the Canada-United Kingdom wheat contract of 1946, and in the international wheat agreement of 1949, both of which provided for buyers assuming carrying charges. In that respect they are similar to certain taxes, to ocean freight charges, and to various other costs in one business or another, the incidence of which will shift from time to time.

That, sir, is our submission. We have tried to avoid repetition of material coming to you from other sources. We will be very glad to present to your staff any other information of a statistical nature which you feel we may be able to provide.

THE CHAIRMAN: Thank you very much, Mr. Brownlee. I expect we all have some questions we would like to ask you.

I might start the ball rolling. On page 4 you made an interesting comment when you said you did not expect a further decline in total agricultural employment. As we have come across the country we have heard a number



of comments and views on that subject, and I think in every other case the view has been that there would be over the years a further decline in the number of people on the farms. In Saskatchewan we were told that the trend was definitely toward larger farms, and that this would mean fewer people in the agricultural industry.

I wonder if you would like to expand on that point a bit for us.

MR. BROWNLEE: Well, sir, there can be no doubt from the study of statistics that there has been a growing tendency toward larger farms, and I think probably that will continue. Our view, however, is that mechanization has reached a point where it has perhaps accomplished all that it can in reducing the need for human labour, and as acreage expands it may be necessary for hired help to be brought in for the operation of the farm, which may balance any apparent reduction in population that would come about by the increasing acreage of farms.

In other words we look forward to the further trend to larger farms, but we believe mechanization is getting pretty well complete; and while there will be a tendency to a reduction in farm population because of the larger size of the farms, we think it will probably be offset by the need of engaging hired





help for the efficient operation of those farms. This at least is our thinking and the reason for the statement.

THE CHAIRMAN: I think I am clear on another point on that page. Talking about the federal assistance policy, you say:

"As the result of it, and  
of an annual subsidy of \$15  
million --"

That is the cost of the freight  
subsidy?

MR. BROWNLEE: Yes; I think it ran year by year somewhere between \$15 million with a high of about \$17 million and a low of \$15 million on the freight on feed grains from western Canada to eastern Canada.

Our point is that if the western farmer is compelled to use his grain in some other way to offset the loss of export markets, and turns to the production of hogs and things of that kind, it is going to be very bad for the eastern farmer, because we have the feed and we can feed more cheaply. Therefore the eastern farmer is equally concerned with us in finding an export market.

THE CHAIRMAN: Then another question. On page 7 you refer to the size of the wheat surplus during the war, and say it was as large as the present surplus?



MR. BROWNLEE: Yes, sir. In 1942 we had a total carryover plus new crop of 983 million bushels, and in 1952 it was 980 million bushels, just 3 million bushels less than in 1942. This year we have a carryover of 481 million, and add to that something like 475 million or up to a maximum of 500 million, and you find that you will reach the 983 million we had to dispose of in 1942. So our problem appeared to be as difficult in 1942 as it does at the present time.

Of course the situation was different then because agriculture in the importing countries of Europe had been very badly disorganized on account of the war, but there was such a demand for wheat from the importing countries, because of their lack of production, that that surplus of 1942 soon disappeared.

THE CHAIRMAN: On page 12 you discuss summerfallowing, and suggest that according to some authorities summerfallowing is no longer as useful or necessary as was formerly the case, and that therefore potentially, I suppose, we could produce a great deal more agricultural produce and more wheat than we are producing at the present time.

Would you like to expand on that a little bit, because it seems to me a very



important point and one that has not yet been brought before us.

MR. BROWNLEE: The president of the national farm bureau of Great Britain made the statement recently that present acreage could take care of the future food needs of the world at a price; and at a price we feel that we will enter -- not in the next 5 years and possibly not in the next 10 years, but we believe we will enter a period when there will be less reliance on summerfallow in areas starting with Manitoba and possibly going through the north.

The interest in fertilizers is becoming quite acute and pronounced in western Canada. So far the output of the Trail smelter has been largely going to the United States, because on account of the government subsidy there the farmers can outbid the Canadian farmers, so the great part of their product has been exported.

But there is this tremendous interest. We find it now in our farm supply department, and we have been searching for the last 2 years for sources of cheaper fertilizers. With the use of fertilizers in parts of western Canada and the use of chemicals, we do think there will be a cutting down of the acreage -- and the very substantial acreage -- now held for summerfallow.





Incidentally I may say that the president of Manitoba univeristy gave us a very interesting address at the annual banquet two or three weeks ago on that very subject, in which he gave his reasons for thinking that more and more there would be less dependence upon summerfallow.

When you go to the older countries you see that they have been able to do this by reason of higher subsidies. ~~France is an~~ example. Without increasing their total acreage France, which was an importer of wheat, this year will export about 80 million bushels, and probably will rank after Australia and the Argentine. That is due to intensive farming, the use of their full acreage, with very little devoted to summerfallow, and very, very high yields per acre such as we have never heard of in this country as yet.

THE CHAIRMAN: On the subject of university presidents, it is only in Alberta that one university president does not ask quite as many questions as he does in some other places.

In talking about GATT on page 17 you refer to the exception in respect of primary products, and you say it should be Canadian policy to urge the elimination of that excepting clause. I suppose that is something that Canada has been doing?



MR. BROWNLEE: Oh, yes.

THE CHAIRMAN: Without much success so far. Would you see any prospect for success in the short-term future?

MR. BROWNLEE: I am sorry I am not able to answer that. We do know that within the past 3 or 4 weeks the government at Ottawa has been talking quite frankly and plainly to the minister from the United States. We know, too, that our Canadian government sent a delegation down to Washington, and conferences were held there to see if in some way the United States cannot be persuaded to change its present policy of dumping.

We think there is beginning to be a realization in the United States that this policy has not been entirely wise. They are antagonizing, I think, some good customers in other countries. Canada is a tremendous customer for citrus fruits and so on from the United States and if we were driven to take any measures of self defence there could be certain parts of the United States agricultural production that might suffer.

I can only say that as far as our organization is concerned, we are slow to endorse such policies as a two-price system in Canada, for the simple reason we do not see how we can do that and at the same time be making a protest against what other countries are doing.



We feel we should hold that in reserve; but at the same time we sometimes wonder if we do not lean over backward in Canada in being too timid about the competition of the United States, and whether we might not reach a time very soon -- if, say, by the time the international wheat conference concludes in February or March of next year we have not been able to improve the situation, then we may be driven to some policy of that kind. After all, if our government is only making an advance of \$1.40, while the United States is making an advance of \$2.30 or \$2.40, we have a tremendous advantage if we ever have to get into a competition of that kind.

THE CHAIRMAN: We have not as big a treasury, though.

MR. BROWNLEE: That is true, and I have made the statement on public platforms within the past few weeks that I realize that when Canada talks about entering into competition with the United States it is something like the corner grocery getting into competition with the Hudson Bay company and T. Eaton. Nevertheless we cannot sit back all the time and see our markets lost, and we may be driven to the consideration of some other measures like that.

THE CHAIRMAN: I think you have answered the next question I was going to ask. On the same page you refer to export subsidies and say that competitive export subsidies should





be considered only as a last resort. I was wondering when we arrived at the time the last resort should be used.

MR. BROWNLEE: Well, as a company we have been hesitant and reluctant to advocate some of these policies at the moment, which may be embarrassing to the wheat board and may be embarrassing to the government. We choose to believe that both the government and the wheat board appreciate as much as we do, or more, the difficulty that confronts us by reason of the sales policy of the United States, and that they will know whether there is any chance at all of having it changed.

I only say this, that I do not think we can sit indefinitely in Canada losing our markets, without attempting some other measures to meet the threat which does arise from this dumping policy of that country.

THE CHAIRMAN: Mr. Brownlee, in connection with your suggestion that some hundreds of millions of bushels of wheat may be earmarked for livestock feeding both in Canada and in the United States, it was suggested to us last week that a substantial part of the United States carryover is really only suitable for feed anyway.

MR. BROWNLEE: Well, I think I know the statement that was made; I read it in the submission. We believe, and as a matter



of fact have been so informed by some United States officials, that a substantial part of their billion bushels, or whatever it is that the Commodity Credit Corporation has, is really quite low grade wheat. We know that in our own elevators across western Canada there is still quite a substantial amount of the crop of last year, and some previous years even, of low grade wheat.

Unfortunately when that grain is offered for sale, if it is offered at low prices there are countries that undoubtedly will attempt to mill it. As a matter of fact I believe the United States has already had the experience that wheat which was given away, or almost given away, under their policies found its way into the hands of millers.

I would not go quite as far as the statement made in Saskatchewan, but we say there may be a third of the United States crop which we believe is of low grade, and there is quite a substantial part of ours.

Last year's crop, the one just harvested, is one of the finest from the standpoint of protein that we have harvested on the western plains, and there should be a big demand for it. I think this whole picture could be changed if in some way we could get rid of that low grade stuff. After all, the bids of foreign countries depend



somewhat on the amount that is in the show window; and when you just talk about a billion bushels in the hands of the Commodity Credit Corporation, and the amount we have in bushels, it looms very large. If we can get rid of this low grade stuff and talk of what is really the millable wheat in Canada and the United States, the figures would be very greatly reduced. There would not seem to be so much in the show window, and I think the price situation would begin to straighten out.

So we say colour that low grade grain and put it in the position that it cannot be used for milling, and get rid of it, even at a loss.

THE CHAIRMAN: Could it be sold right away?

MR. BROWNLEE: We think substantial quantities could be sold. I believe it is a fact, and Mr. Griffin will correct me if I am wrong, that when the price at the head of the lakes was reduced a few weeks ago, practically all the very low grade wheat in the terminals there was sold in the course of a short time.

I think it could be sold because the capacity of the United States to absorb feed grains is tremendous. A few hundred million bushels may sound a lot to us, but in the feed situation in the United States it does not loom very large.





MR. LUSSIER: On page 16 you deal with the incentive policies of various foreign countries, and say:

"No doubt in part they are due to concern for the welfare of farmers; in part they arise from fiscal considerations, and the desire to protect exchange positions by limiting imports -- "

It has been suggested in one previous brief, I think it was the Saskatchewan brief, that we should accept foreign money at its face value for our wheat. What do you think of that idea; would you care to give your comments on that?

MR. BROWNLEE: We know that at the present time there are those who advocate two policies, one the acceptance of European currencies, and the other barter arrangements, as methods of disposing of our wheat.

We do not discount these proposals entirely. We are inclined to think, however, that the extent to which we would get rid of additional grain would not be as great as many people seem to think.

After all, you have to consider the particular country from the barter standpoint. For example, Argentina could get rid of quite a substantial amount of produce by bartering for automobiles from Germany; but Canada is a highly



industrialized country, and we have a very large working population. I am not at all sure that eastern Canada would take it kindly if we undertook to replace Ford and Chrysler and General Motors cars with the German car.

In other words, looking at Canada as it is today, it is a great, industrialized country, and the first question that arises is, what are the products offered for barter, and what is the position from the finance standpoint?

This is something that after all the finance minister would have to decide. Are we in the same position as the United States, for example, which because of the ramifications of its policies and the fact that it is making provision for defence in various countries, is able to accept local currencies? Are we in the same position to make use of foreign currencies as they are?

I am somewhat doubtful, but we feel that is a matter that after all the government and its finance department must answer.

MR. LUSSIER: It has been suggested also that there should be two prices for wheat, one internal and one external. What do you think about that?

MR. BROWNLEE: I think I answered that a while ago. Again, as far as our thinking is concerned, we do not turn our faces



entirely against it. On the other hand, we cannot see how Canada on the one hand can be urging upon the United States to change its policies with respect to selling wheat, and at the same time put into effect in Canada the same policies which they have adopted there.

So we believe the safer approach to this question of finding markets in competition with the United States is to first direct our attention to an effort to get them to change their policy, to stop this practice, before we get into competition with them, or put ourselves in a position where, by adopting such a policy, we are out of court.

As I say, it may be that we will have to come to that. The other thing we keep in mind is this, that after all, about 60 million bushels of wheat are consumed here for milling purposes. Supposing we had a two-price system, under which 20 cents a bushel more was charged to the Canadian miller than the export price. If you calculate that only on the basis of about 60 million bushels, and then distribute that over the whole crop of western Canada, it does not mean very much per bushel to the western farmer.

So, first because we do not think it offers relief to the western farmer, and second because we think it would be a bad





position to take at the moment in our international relations, we have been a little slow about advocating it; but we may have to come to it.

MR. LUSSIER: It would mean dumping?

MR. BROWNLEE: Well, a two-price system is not exactly the same as dumping, but it is something the same, after all. Dumping, after all, is pretty much a matter of selling a product for less than you sell it for at home.

MR. STEWART: I have just one question. I notice in your brief, Mr. Brownlee, that you have said nothing about soil conservation. We have heard quite a lot about this. Does that mean you do not consider it a problem?

MR. BROWNLEE: No. We are great believers in soil conservation, and as far as we are concerned we have not only endorsed but we have contributed by way of grants to universities and others who are engaged in studies leading not only to soil conservation but also better seeds, better plants, and so on; and we think that is highly necessary in the Canadian agricultural economy.

MR. STEWART: Would you support the principle of paying the farmer to adopt conservation practices?

MR. BROWNLEE: I do not know what



you mean by that, Dr. Stewart. If you mean, would we support the government in making grants, say, to take land out of crop, I have to say that we are not enthusiastic. In 1941 and 1942 we did that very thing in Canada, and you will find the whole record of it as to the acreage that was taken out by paying so much an acre, and a couple of years later greatly increased crops resulted.

It did not do so very much harm at that time because of the great demand abroad for our grain. But the United States have tried it. They have reduced their acreage. The difficulty is that the minute you try to persuade farmers to do that, by paying them or otherwise, you have the poor land taken out of cultivation and probably intensified farming on the remaining acres, and sometimes you end up with not much of a crop reduction after all.

But I would suggest that possibly later on this year, when we know what success we are having with sales; when the wheat board and the government can probably assess better than they can now what the disappearance of the grain from western Canada will be, the government may decide that something of that kind is unavoidable for another year.

MR. GRAUER: On page 2 of your submission you say:



"A study of the records of bushels per acre since the beginning of the century will disclose no pattern which can be taken as a guide for forecasting production in any particular period."

Would that imply that one cannot depend upon lean years to eventually take away surpluses?

MR. BROWNLEE: If it is of any benefit at all to your staff they will be able to get this material quite easily from the bureau of statistics; but we have it tabulated now, and we will be very glad, if it is any convenience, and if it will save them any trouble, to let you have the figures we have taken off, going back a number of years.

We have spent days studying those records to see if we could find any pattern at all of what might be called a cycle, with one cycle following another. Unquestionably history shows that we will have in western Canada the lean years as well as the fat years, but we cannot find anything which defines or suggests what the cycle may be.

When I tell you that in my own work as head of United Grain Growers I have been laying my plans financially for the





last three years with the expectation that we were going to get back into the dry years, and I have completely miscued. We have found a succession of wonderful years instead. So you will see we have not been able to work out any pattern.

You start with 1915. I think there is one mistake in our brief, when we say that was the highest yield. I think the yield in 1915 was 24 bushels per acre. We had a yield of 26 bushels per acre in 1952, but it goes down and up and down and up. When you come to the thirties you have 10 years in which the highest yield per acre was 13. It went down one year to an average of 8 bushels per acre across the prairies. I believe in Saskatchewan it went down to something like 3, but it was 8 bushels one year for the whole prairies; so we had 10 years of very poor crops.

Since that time the yields per acre have been much better. In the last 5 years there have been 4 years of crops averaging over 20 bushels to the acre, and you will not find that record equalled since the beginning of the century as far as western Canada is concerned.

Whether or not that is of any value at all, I do not know.

MR. GRAUER: As far as wheat



itself is concerned, there is no problem in carrying it over for quite a long period of years, is there?

MR. BROWNLEE: Oh, no. We have wheat today in some of our country elevators that has been there for 3 years. If it is in reasonably good condition when it goes into the annex or storage, it is preserved. We have to watch for mice and some insect permeation of that kind.

The great danger, of course, in western Canada from a storage standpoint is when you get a crop such as we had last year, and in some parts of Alberta the year before; that is with the grain very damp, having a high moisture content, that imposes a great responsibility on companies trying to take care of it. But if the grain goes in while it is in good condition it is easily carried, and does not present much of a storage problem.

MR. GRAUER: Grain that is stored outside in this climate; does it keep quite well too?

MR. BROWNLEE: Oh, yes. You will find many places, particularly in the south, with great heaps of grain. It has an amazing capacity to retain its condition.

MR. GRAUER: Under your proposal to get rid of the feed grain in the elevators, it would not matter much then, presumably, that



you would have capacity for the good grain. That is not the important part of the proposal?

MR. BROWNLIE: The problem that is causing the farmer so much trouble is this. Last fall, for example, we had in our elevators 35 million bushels. That means that nearly every elevator we have is filled to capacity. A lot of that grain is low grade.

If I might use the expression, the pipe-line from the country to the terminal has been plugged with low grade grain. If we can get rid of that it will be all to the good. Incidentally, I think the wheat board must be making some progress, because within the past 24 hours we have received shipping orders for a very considerable quantity of low grade grain out of our elevators in this province.

While in the over-all picture that does not amount to so much, it is going to help. It will allow the farmers to get their grain in and get the initial payment, and the financial problem which they now face will begin to ease off just in proportion as they can get their 2 to 4 bushel quota in the elevators.

You understand, of course, that what we call the 2 or 4 bushel quota is estimated on what we call the specified acres, which include summerfallow, and that that may be equal to a four bushel quota, which could





be 18 bushels on the seeded acreage.

MR. GRAUER: When you say that in the United States wheat has been priced out of the market as feed, does that open a market for Canadian feed grain or does it simply mean that they use alternative feeds?

MR. BROWNLEE: They use alternative feeds. They have had a very excellent corn crop.

MR. GRIFFIN: They had quite a good corn crop this year. One day on the train I met a California livestock feeder who told me the farmers in California were fattening cattle on potatoes, because they could no longer afford to buy the wheat from Oregon which they could buy formerly.

MR. GUSHUE: I have just one question. In your organization I gather from the brief it is the feeling that currency considerations, convertibility and so on, have a great deal to do with the forced production of wheat in countries that would normally be purchasers. I think that is very plain from your brief?

MR. BROWNLEE: Yes, we think that must be so.

MR. GUSHUE: I take it from that that any relief by way of greater convertibility of exchange and so on would probably help the situation very materially in the long run?



MR. BROWNLEE: I think so.

MR. GUSHUE: It could be a good problem to attack?

MR. BROWNLEE: We think so.

THE CHAIRMAN: Well, thank you very much, Mr. Brownlee. We are most grateful to you and appreciate your contribution very much indeed.

MR. BROWNLEE: Thank you for your kindness, sir.



THE CHAIRMAN: Mr. Munn, the president of Burns and Company Limited, will present a brief which we will mark Exhibit 65; and in doing so we will apologize formally for having kept you waiting so long, Mr. Munn.

MR. MUNN: That is quite all right.

THE CHAIRMAN: The situation was beyond our control. Will you proceed?

MR. MUNN: Mr. Gordon and members of the commission, this brief is short. It lacks any statistics, but I have tried to deal with certain phases of the industry in a general way, which may promote some questioning.

The meat packing industry is one of a "meat team" which consists of the producer of livestock, the processor and the retailer. Its chief interest lies with the producer and it is, therefore, closely associated with agriculture. It views with concern the increasing costs borne by the producer in the face of lower prices for livestock.

The position of the mixed farmer, working long hours seven days a week, is far from favourable when compared to the urban worker who enjoys, in most cases, a 40-hour, five-day week with increasing income. The oil industry in Alberta has benefited agriculture in a broad way and from a provincial point of view it has created wealth for building roads and financing





municipalities at low rates of interest. The individual farmer, however, unless he had the original oil rights on his land, has not reaped any material benefits. Even the casual observer can discern that while the standard of living in urban areas has materially improved it has in the last two years declined as far as many farmers are concerned. Despite all the flowery speeches from the optimists about our other resources, agriculture is still the major industry in the three prairie provinces and more people depend directly and indirectly on the land and its produce for a living than all those engaged in other industries.

Marketing of livestock. By far the greater number of cattle in the west are sold by auction at public markets or community sales. This is a decided improvement over past methods as it enables all buyers to bid on all animals. Most hogs are shipped directly to meat packing plants by individual producers or farmer associations. All farmers to whom the press or radio is available can be informed continuously regarding livestock prices. There has been much controversy recently about livestock marketing boards. We do not wish to add to it except to say that in our opinion farmers should be allowed to market livestock in any manner that they wish.

Some facts about the meat packing industry. Few types of businesses place a higher



premium on managerial efficiency than a meat packing plant. In a number of important respects, meat packing operations differ from the manufacture of more durable types of consumer goods. Meat is highly perishable and must be moved into consumption promptly to avoid the risk of loss from deterioration or spoilage. The packer has little control over either the quality or quantity of his main raw material, livestock, which cannot be conveniently stockpiled like steel, wheat or other such products. It must be appraised, paid for in cash, converted into products which appear to have a ready market and then sold for what it will bring on a highly competitive market or, if absolutely necessary, held in storage for future sale. It requires a large capital investment in buildings and equipment to handle and process livestock marketings at their peak; and because marketings vary greatly from one season to another, these facilities are not always fully used. The packer undertakes to buy all livestock that comes to market whether or not there is a ready outlet for the particular type of quality of meat.

The profit of the industry in relation to sales volume is very small, probably the smallest of any industry, and only volume and rapid turnover allows the packer to live under such an extremely small margin, a margin which has virtually no effect upon the value of either



livestock or meat prices. The industry, therefore, serves both the producer and consumer efficiently and at a minimum cost.

The future of the meat industry -- production. Further developments in scientific breeding and feeding will enable production to keep pace with the meat requirements of an ever-increasing population. This and the raising and feeding of livestock by individual producers on a larger scale should keep the cost of meat at a level consistent with the income of the average consumer.

This country needs more stable production and consistent rather than seasonal marketings. In the past, livestock production has varied in volume depending to some extent upon the market for grain. The diversion of more grain and feed to livestock production is a partial answer to the present grain marketing problem.

Markets. The most important market for the industry is and always will be the domestic market and prospects for greater per capita meat consumption are good. A steadily increasing population in Canada and the United States will provide an expanding market. The United States at present provides the only export market of any consequence. There appears to be no other important export market in the foreseeable future. Livestock and meat prices





in Canada are well above the level of world prices; and as this situation is likely to continue, overseas markets for meats, except under war conditions, appear to be a thing of the past.

Processing costs. No appreciable change in output in pounds per man-hour is anticipated. Improvements brought about by the limited mechanization which can be applied in the industry will probably be largely offset by more expensive processing requirements.

Greater standardization of product would help to minimize increasing operating costs.

Packing plant facilities are not used fully except during short periods of peak livestock marketings and a more even flow of livestock and increased production would materially reduce overhead and improve efficiency.

In round figures, the producer receives 80 cents of the packers' sales dollar, while employees receive about 13 cents. The remainder, except for about 1 cent profit, represents the cost of operating, selling, depreciation, taxes, etc.

Prepackaging. Many consumer packages of meat products are now produced in meat packing plants and there is an increasing trend in this direction. To produce a full



line of prepackaged products would require heavy capital expenditure on the part of the industry. Most plants are short of suitable working space and it is inconceivable that the work now being done in thousands of retail stores could be handled in meat packing plants without a large capital outlay for additional working space and labour-saving equipment. In theory the industry, using mass production methods, labour-saving equipment and being able to utilize to better value the residue -- such as the trimmings, bones and fat attendant to prepackaging operations -- could perform the service on a more economical basis. It would revolutionize the meat packing business, but if the consumer demands it the change will undoubtedly take place.

Selling and distribution. We can visualize a revolutionary change in selling and distribution at some time in the future as this represents one of the packers' largest individual items of expense. The cost of salesmen's salaries and travelling expenses, and also delivery costs, are an important expense to all packers. It is particularly onerous in the prairie provinces where distances are great and population comparatively light. The time may come when all packers' products will be handled by one selling and distributing agency with one group of salesmen. In this case, the packer would deliver his products in bulk to the



agency which in turn, through its sales force, would be in a position to offer the products of all packers to the trade and make one delivery to each retail store. An important saving would result, but of course the individual packer would lose his direct contact with the trade and would have to depend largely upon advertising to obtain a demand for his particular brands.

Preservation of meat. A very great advance in the industry would be made if a means of preserving or of improving the keeping qualities of fresh meats could be evolved. It would materially assist the packer in dealing with a product that is highly perishable. No doubt eventually some suitable means will be found. So far this has been accomplished only by adversely affecting its palatability.

MR. GUSHUE: I have just one question as to the trend to smaller packages. That has become very apparent in other commodities, has it not? Vegetables and fish are good examples of commodities being put out in very small packages. Do you think that will eventually have to be adopted in the meat packing industry?

MR. MUNN: It is already on the way; very much so, and self service through chain stores has hurried that along.

MR. GUSHUE: You have gone along





with developments in other foods?

MR. MUNN: I would not be a bit surprised if that is eventually the only way in which meat is sold in consumer packages.

MR. GRAUER: On page 2 of your submission, in reference to livestock marketing boards, you say:

"We do not wish to add to it except to say that in our opinion farmers should be allowed to market livestock in any manner that they wish."

I take it you do not mean the individual farmer when you use the plural, or do you?

MR. MUNN: I mean the individual, yes. This is only my own opinion, but I do not believe that 60 per cent of the farmers should decide what the other 40 per cent should do.

MR. GRAUER: That is what I wanted to clear up. I was interested to see that you believe that the prospects for greater meat consumption were good. We are always told that we are such heavy meat eaters.

MR. MUNN: We are not as heavy meat eaters as some other countries; and price is a very important factor. The consumption of beef increased tremendously from 1952 to 1954,



as the price went down.

MR. GRAUER: We can pull ourselves up by our own stomachs?

MR. MUNN: I think by 20 to 25 per cent.

MR. GUSHUE: Have you the comparative increase as between Canada and the United States in regard to consumption per annum?

MR. MUNN: The United States is a little greater than ours.

MR. GUSHUE: About 155 pounds?

MR. MUNN: Yes, something like that.

MR. GRAUER: At the top of page 4, or starting at the bottom of page 3, it is interesting to me to note that livestock prices in Canada are above world prices, but that Canadian wheat prices are apparently well under the internal prices in a large number of countries.

I do not know if you can reconcile that. Take a country like Great Britain, where they produce fat stock; I do not know how they fatten their stock. Do they have two prices in Great Britain, one for domestic beef and another for Canadian or Argentine beef?

MR. MUNN: There is a great variation in price there. They get their beef from the Argentine and Australia, their



pork from Denmark and other countries, all in the sterling block. Our prices are above theirs; and even if the floor price for hogs in Canada became effective, our pork would still be much more expensive than that of Denmark.

MR. GRAUER: In so far as they use their own grain for fattening, it must cost them considerably more to fatten their own stock internally.

MR. MUNN: Yes, it does.

MR. GRAUER: On the question of the preservation of meat, with which you dealt in the latter part of your brief, one has read about the possibilities resulting from the splitting of the atom. They have not progressed to any point that could be regarded as definite yet?

MR. MUNN: No. They are working on that, but unfortunately I think the greatest value of meat is its palatability. I think there will always be a market for meat; people will always want it, but unfortunately what they have done so far in the use of atomic energy has ruined the palatability of the meat.

THE CHAIRMAN: I thought there was some powder you sprinkled on nowadays to improve the taste.

MR. MUNN: That does not permanently keep the meat. That is "Accent".





MR. STEWART: I gather from your statement at the bottom of page 3 that you believe the United States market to be a reliable market for livestock?

MR. MUNN: I think it is a more reliable market for meat than it is for livestock. Canada can export in a specialized way. Normally we cannot ship hogs to the United States. We cannot at the present time; their market is very much lower than ours. At the same time there are certain cuts of pork we are shipping to the United States, and there are certain products produced from the Canada hog that are superior to the United States product, and we still export them.

MR. STEWART: The reference to standarization on page 4 I presume does not refer to retail grading?

MR. MUNN: That would be if we could put out that limited number of standard products. The demand from the consumer is such that I do not think standarization is possible.

MR. STEWART: Have you any comments on the problem of retail grading?

MR. MUNN: Not feasible.

MR. STEWART: On page 5 you say:

"The time may come when all packers' products will be handled by one selling and distributing agency --"



Are you not afraid that might contravene some legislation now on the statute books?

MR. MUNN: I think a person could put more than one interpretation upon that. I am not sure what my competitors would think of such a suggestion, but the position is most unsound at the present time in this country.

At the present time in the west I suppose there are 6 packer salesmen calling on the retail trade. In a place like Toronto there will be 15. Think of the time that is taken up by these men calling on the trade.

In the United States they are developing a group of jobbers who purchase from the packers and in turn service the retail trade. It might come in that form. I agree with you that perhaps it would not do for the packers themselves to have their agency, although I believe the breweries do.

THE CHAIRMAN: It is an interesting thought, though, because as everybody knows a very substantial part of the consumer's dollar spent for any product goes into the cost of distribution; and certainly if ways are developed to reduce the costs of distribution, it will make quite a difference.

MR. MUNN: Well, it is the only thing the meat packer can do to reduce the price of meat.



THE CHAIRMAN: What about your suggestion that in theory the industry using mass production methods and so on could perform the service on a more economical basis, but that this would depend on the consumer wishes in the matter. Do you think that is likely to happen?

MR. MUNN: Yes, I do; it is increasing all the time.

THE CHAIRMAN: Well, thank you very much, Mr. Munn. We are very grateful to you. We are sorry again to have kept you so late.

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--At 5:30 p.m. the commission adjourned.





ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

CALGARY, ALBERTA

November 25, 1955

Volume 13



Friday, November 25, 1955.

The commission resumed at 9:00

a.m.

Appearances:

Mr. Ben S. Plumer, president;  
for the Alberta Wheat Pool.

Dr. G.L. Burton, rancher.

Mr. S.B. Slen, president;  
Mr. Omar Broughton,  
Mr. Ron W. Peake,  
Mr. Peter Jamieson,  
for the Lethbridge branch,  
Agricultural Institute of Canada.

Mr. Charles Weir, Alberta representative;  
for the Edmonton and Calgary metal  
workers, international union of  
mine, mill and smelter workers.

Mr. Travers Smith,  
for the Cardston and District  
Sheepmen's Association.

Mr. E.A. Hutchinson;  
for the Calgary House Builders  
Association.

Mr. G.E. Neilson, president;  
Mr. R.W. Wells, director of public  
relations;  
Mr. Lawrence W. Lee, vice president  
and chairman;  
Mr. Arthur Knight, vice president  
in charge of sales;  
Mr. Powell, vice president, land  
and exploration;  
for Husky Oil and Refining Ltd.

Mr. Kurt Magnusson,  
for Fogelvik Farms, Innisfail,  
Alberta.



THE CHAIRMAN: Well, gentlemen, shall we come to order? Mr. Plumer, chairman of the Alberta wheat pool is going to be kind enough to make a submission to us, which we will mark as Exhibit 66. I may say that we are more than grateful to you, because we know you have other things occupying your mind at the moment, and this is not perhaps the most convenient time for you to be here.

MR. PLUMER: Well, I am very glad to be here to make a submission on behalf on our farm people in Alberta. We are busy, all right; but never too busy to try to concentrate on and deal with the affairs of the Alberta farm people.

I would like to say that at times like this I think it is especially important that everyone possible should learn something of the conditions that are facing sections of our agricultural population, because I think it gives a chance for all of our thinking to deal a little more intelligently with the things with which we have to deal, the problems we have to meet and the conditions we have to overcome, if we have an intimate knowledge of the conditions that have to be met by the people who are carrying on in this situation.

For that reason I am very glad your commission is able to spend some time in western Canada and discuss with our people the affairs that we in particular face as compared





with other sections and older settled communities of the land.

I should say that perhaps our situation just now is particularly difficult, in that we have some conditions that we have not had to contend with previously. We have been blessed with some large crops for a number of years, but due to changing market conditions we have found that it is not so simple to deliver, market and sell every bushel we want to dispose of.

So with this temporary congestion, at least, there are questions posed that we have never had before, at least not in my experience in western Canada. If we work through this I think we will gain a lot of experience and a lot of knowledge, and at least will have done something that no other generation of farmers in western Canada in any other decade, I will say, has ever accomplished.

So I am going to offer to you gentlemen a brief comment here by way of a written memorandum that will be sort of a semi-permanent pronouncement which you can refer to at your leisure, and consider as you have time to do so. In offering this brief I do so with every expectation that your commission, while it will be fully occupied with so many questions that are going to come before it, will have time to look at one or two things I



am going to try to emphasize a little more strongly, perhaps, than others.

I am not going to try to make a general submission on all the problems we have to deal with because, as each of you gentlemen will know, that is a little beyond anyone's capacity. If we do one or two things well, perhaps we will make a contribution that is worth considering.

The decision of the people living in the parts of North America under British rule to weld themselves into one nation led to our confederation and created Canada. The territory between the head of the great lakes and the Rocky mountains was then sparsely settled and not fully explored. Sovereignty over that great land area was vested in the Hudson's Bay Company and its claim to ownership was a subject of controversy. Canada made a decision, from which a great part of our development has since come, by electing to buy out that company's rights and make the lands the property of the crown in Canada. The Canadian government steadfastly refused many offers to purchase these lands in large blocks, made by speculators and non-residents. Argentina had sold out much of its lands to such people and Canada was fortunate in profiting from the mistakes made there. In this country the homestead policy was adopted which provided that any person 21 years or over who was, or agreed that he would become,



a British subject, could file on 160 acres of this land and, after the performance of certain duties, become the owner in fee simple. The homestead concept was evolved by the government of Sir John A. Macdonald, and settlement followed at an increasing rate through the whole of the period of office of Sir Wilfrid Laurier, and was only brought to a halt by world war I.

The men who took up the homesteads came mainly from eastern Canada but also from all over the world. They left homes, relatives and the comforts of settled areas and old cultures to face the open spaces, a climate hazardous for their enterprise and a marketing problem created by the fact that they had to have their products freighted hundreds of miles to water-borne transportation, as against a relatively short haul in other wheat exporting nations.

The steadfast adherence by federal governments to the British principle that the land assets in this area should not be alienated to foreigners but only to subjects of the crown led to the ownership of virtually all of the vast area of land set aside for homesteading, between the eastern boundary of Manitoba and the eastern slopes of the Canadian Rockies, becoming invested in men who were, or became, citizens of Canada. Therefore when a bushel of wheat is exported and its price returned the money belongs to a citizen of Canada, nearly always resident in Canada, and





there is no remittance to foreign lands, and no upbuilding of foreign ownership of capital assets in Canada. This resulted in the whole of the increment in value that flows from development being vested in citizens of the country, and the proceeds of production, owned by Canadians, buys the products and expands the capital assets. Agriculture is not paying tribute to foreign land owners nor dividing the profits from its production with foreigners.

While the bulk of the settlement had occurred when world war I broke out, a great expansion of seeded acreage developed during that conflict to meet British needs. Since then the agricultural industry of western Canada has continued to make progress in the face of the ups and downs of weather, war and world market hazards. The application of the principle of developing the ownership of these lands among British subjects has resulted in their producing in the past 10 years wealth that belonged to Canada, without any obligation whatever abroad, to the total of \$10 billion in grain alone.

Over the period from the discovery of the Leduc oil fields until the end of 1954, the farmers of the prairie provinces spent \$1½ billion dollars for farm machinery alone. That sum was more than was spent by all of the oil companies in the same period for oil exploration, and was almost as much as the amount spent for oil



exploration and production combined.

Many of the settlers who came to the west to take up land relied on the Crowsnest agreement as a continuing guarantee of a low export grain rate to offset the distance from markets. Those rates they enjoy today as an offset to the state-built and operated harbours, canals and waterways of eastern Canada which impose a ceiling on all freight rates there. Reference to the parliamentary debates in the late 1890's and early 1900's discloses that the policy of settlement of the prairie provinces was to provide in the west a population that would be a market for the industrial products of the east. How well this has succeeded is demonstrated by railway statistics. In the early years the freight movement in the west was 67 per cent grain and 33 per cent other articles, whereas last year the figures were reversed.

At the time the settlement rush was getting under way, in the 1904-5 crop year, world trade in wheat totalled 589,000,000 bushels. Of that Russia and the Danube basin supplied 297 million bushels, the United States 43 million and Canada 20 million. The peak of Canada's wheat exports occurred in 1928 when 406 million bushels were exported.

At this point I would like to give you a more intimate picture of our great western area and our marketing problems.



That portion of western Canada known as the prairie provinces is a region covering about three-quarters of a million square miles, with a total land area of approximately 452 million acres, of which it is estimated nearly 200 million could ultimately be used for agricultural purposes. At present the total farm area is about 123,863,000 acres, the improved land 71,840,000, and the land annually seeded to crops about 46 million acres, and 20 million acres is about the annual average under summerfallow. This region thus provides 74.17 per cent of Canada's total improved farm land and 73 per cent of the nation's land which is under crop each year. The farm area of this western region includes one of the largest tracts of rich farm land in the world. If Canada had a population five times its present size the prairie region would be able to provide it with an abundance of food.

The problem of the west is markets for its produce. Some 16 years ago Hon. John Bracken, then premier of Manitoba, stated that in the prairie region there are 30 million acres of land devoted wholly to the production of farm products for export which, at that time, was equivalent to one-third of the improved acreage of the entire dominion. That land was brought under cultivation and was utilized in the production of grains, largely wheat, for the reason that there was a keen international demand for these products which







the west was so well suited to produce. Western development in the main came about as the response of its people, its land and its climate, to the demands of the overseas markets. The agricultural development of the west as an exporting economy was responsible, to a large degree, for the industrialization of eastern Canada and the increase in population there.

Our farm people are in a dangerous economic position when so much of our acreage is seeded to crops that must find a market overseas. Increased Canadian population would provide us with more secure markets. Increased industrialism in our own area would bring about larger towns and cities here with more mouths to eat farm products, and that would save the west expensive freight hauls. Expanding industrialism and population in British Columbia would help us. We also need freer outlets to United States markets.

The main expansion in western agriculture came in the early part of the present century. Then world war I broke out with an expanding demand and rising prices for wheat. The boom ended in 1920 and deflation set in. The price of wheat fell by \$1.90 a bushel in three years and other farm prices fell in proportion. The industry was plunged into a depression.

Even prior to the start of that war the farmers were discontented with the



operations of the speculative market but the 1920-23 experience under such marketing conditions accentuated the feeling.

Then came recovery and there was a fair balance in the world supply and demand for wheat until 1929, when the great depression started. The farm marketing companies, the wheat pools, were in trouble then and the late John I. McFarland, one of the nation's ~~outstanding~~ and long-experienced grain and elevator operators, was appointed to conduct price stabilization operations. His was a federal government appointment and lasted from November, 1930, to November, 1935. It might here be mentioned that Mr. McFarland was previously, for many years, general manager of the Alberta Pacific Elevator Company and conducted that business with outstanding success.

In his evidence given in 1937 before Mr. Justice Turgeon, conducting the royal grain inquiry commission, Mr. McFarland covered his experience during those five years. He said that grain selling systems which had been developed and flourished in a world of comparative trade freedom and economic equilibrium had not been tested in a world of wheat surpluses, economic nationalism and self-sufficiency. In 1926 marketing and price-making systems were reasonably satisfactory except that short selling and gambling in the staff of life was looked upon with disfavour and



suspicion by many people. But the years following 1929-30 progressively disclosed the effects of the growth of nationalism in the various importing countries until, and I quote Mr. McFarland, "it finally became impossible for an informed and unprejudiced person to continue to have confidence in a price-making system which was clearly inadequate and unsuited to such world conditions."

Mr. McFarland bought wheat futures to maintain prices. At one time he had around 150 million bushels under government ownership. But in the open market wheat went down to 39-3/8 cents a bushel for 1 Northern at Fort William in 1932 despite his efforts.

In view of the urgent demand from certain sources for a return to the open market today, it is interesting to recall Mr. McFarland's testimony.

You gentlemen will remember some of the comments made to your commission before I came before you, and the suggestion that there are methods that can be used which are better than the method presently used, and that the sooner we return to that system the better off we are going to be. The only reason I am offering these comments to you is that this man, Mr. McFarland, who had such a wide experience and spent his lifetime in the grain business before he was appointed by the





government as a price stabilization officer, in giving his experience I think sort of provides an expert opinion on what we might expect. That is the only reason I am quoting this to you.

Let me quote one paragraph:

"I refer you to December 16, 1932, on which date No. 1 Northern cash wheat closed at 39 3/8 cents on the Winnipeg exchange. It is needless to say that was the lowest price ever recorded. That price was equivalent to about 22 cents for farmers' No. 1 wheat at country elevators. On that date the dominion bureau of statistics showed Canadian supplies in store in all positions at 236,877,000 bushels. On the same date the quantity of wheat and options owned under government guarantee was 151,376,000 bushels. Deduct that from the total supply and there was left 85,501,000 bushels or only 36 per cent owned by all other owners of wheat. The price was 39 3/8 cents delivered at Fort William and the system which is



claimed to be so essential to carry the hedges on sales of farmers' wheat was only 36 per cent effective. That is to say, if all the farmers had on December 16, 1932, sold every bushel they delivered to country elevators, and if the farmers, the general public and the so-called "moths" did not then own any contracts whatsoever in the futures market, then the professional speculators and the organized grain trade of the whole world could claim credit for carrying the hedges on only 85 millions out of 236 millions. Only 36 per cent effective in the darkest period which ever confronted the grain producers of western Canada! However, the cold fact is that the system was less than 36 per cent effective, for it must be admitted that the farmers had not sold all the grain they had delivered."

Mind you, those are his words, not mine.

I am relating Mr. McFarland's



experience because I understand that spokesmen for the open market informed you that unless that system of marketing is restored we are going to have wheat gluts and marketing problems for 25 years to come. Now, we in the organized farmer movement who oppose speculative grain marketing might be considered prejudiced to an unwarranted degree. Mr. McFarland was a grain trader and his opinions, gained from actual experience, should bear weight. Mr. McFarland said further, and I quote:

"Despite all arguments to the contrary, the records prove the futures system failed to function as a hedge carrying device. It had already failed in performing that essential service, and when it fails to render hedging service it would seem to me that system has no other merits to warrant its existence."

Such was the constant theme of Mr. McFarland's evidence. He repeated it time and again. One interesting part of his testimony was what happened from March 15 to July 31, 1935. He related:

"In April, the peak of the short interest was 12 million bushels, in May, 27 million, in





June 26 million and in July 29 million. That meant the government holdings in July, 1935, exceeded the total Canadian supply by 29 million bushels. Therefore, my experience has shown the speculative element carried much less than 36 per cent of the hedges when the price was under 40 cents in December, 1932. On the other hand, in July, 1935, when the price was 80 cents they (the speculators) had not only retired from that essential function but actually sold some 29 million bushels which they did not own. They were short. They were inimical to the best interests of this country. Could there be anything more inconsistent and incongruous than a government supporting and encouraging production and then depending on speculators and gamblers to establish values by buying long and selling short."

Mr. McFarland insisted that no marketing system could be charged with the



responsibility of increased carryovers of wheat. He said that big crops throughout the world were responsible. He predicted that a series of short crops would bring about a balance, and this occurred in 1936 and 1937. But he warned of the probability of a recurrence of wheat gluts. He said, and I quote:

"The open futures market, especially in times of abundance, is a valuable asset to an importing country such as Great Britain, for there the home producer is subsidized and cheap wheat is beneficial to consumers. On the other hand, any system which will not tolerate a generous world supply and has no facility to either hold or remove the excess, thus indiscriminately and ruthlessly forcing farmers out of production in order to effect a balanced world supply at a later time, is inimical to the welfare of a country such as Canada where the farmers are not subsidized."

In 1935 the federal government passed legislation providing for the setting up of the Canadian wheat board. The act contained a provision which empowered the board to handle the sale of all



wheat entering commercial channels in the prairie provinces. That provision was not put into force, however, until September, 1943.

In the previous years the board provided an alternative method of marketing, available on a voluntary basis to the wheat producers. In the 1935-36 crop year it set an initial price for wheat delivered to it of  $87\frac{1}{2}$  cents a bushel. That price was higher than the prices provided by the speculative market and higher than the prices received for board sales; so the board got the wheat, and the loss during the year was \$11,858,104.18.

Mr. McFarland had previously predicted that prices would not recover until crop failures throughout the world brought an expanding demand. Such occurred in 1936 and 1937. In the 1936-37 and 1937-38 crop years the wheat board set an initial price of  $87\frac{1}{2}$  cents a bushel to be effective only if the price on the speculative market closed below 90 cents. This did not happen in either crop years and very nominal amounts of grain were delivered to the board.

In the spring of 1938 the Turgeon royal commission, referred to previously, brought in its report on grain marketing and recommended that the government should not interfere with operations of the grain exchange except when emergencies arose. It wasn't much longer than a few months before such happened. A big world





wheat crop was produced in 1938 and prices started downward. It was intimated that the federal government would lower the wheat board initial price to 70 cents or even 60 cents for No. 1 northern wheat at the terminal. It did drop the initial price to 80 cents. Alarm spread throughout the west and Hon. John Bracken, then premier of Manitoba, called a conference of representatives of farmer organizations, the grain trade, the grain exchange, boards of trade, universities, governments and business to consider the problem and discuss ways and means of averting a disastrous situation. Said Mr. Bracken:

"The price of wheat in Canada has dropped to less than half of what it was a year ago. As a result this year's Canadian crop, which is twice as large as it was a year ago, will bring on the open market some \$30 million less than that of a year ago. The economic consequence of such a disastrous fall in prices was recognized by the federal government and it therefore guaranteed a minimum price of 80 cents for wheat delivered at Fort William. This means that after freight and other charges are deducted the average price received



by the western farmer for the average grade will be about 55 cents a bushel."

As a result of representations made to Ottawa by the Bracken gathering, the initial wheat board price was maintained at 80 cents and the board loss was \$61,525,691. The next year the initial price was 70 cents and the board's loss \$8,226,850.10. It will be observed that in the years the board and the open market operated side by side, the board got the grain when the market dropped and sustained losses, paid by the federal treasury, of over \$81.6 million. In the years when open market prices were higher than the initial board payment, the board got very little grain delivered to it. In an address delivered by John I. McFarland in Calgary in November, 1936, he stated:

"We have now in operation in Canada two systems which are in open conflict with each other and the fact is they cannot for long live together...The board's power to buy wheat is confined entirely to wheat entrusted to it by producers only. Under certain circumstances the farmers might deliver very little wheat to the board or they might deliver all



or nearly all they produce. That uncertainty will prevent the board from planning its operations ahead. Its staff and facilities should always be adequate and in readiness to take delivery of possible large volume and if the volume received is small the expense of operation will be out of proportion."

Lowering the price of wheat will not necessarily enlarge exports. That was definitely established during the depressed years of the early 1930's, when Canadian wheat touched bottom price levels. To protect domestic growers the German government raised import duties on wheat to \$1.65 a bushel and compelled German flour mills to use 80 per cent domestic wheat. France established an import duty of 84 cents a bushel and forced domestic mills to grind 97 per cent domestic wheat. Italy raised its import duty on wheat to 85 cents a bushel and paid domestic growers a price over double that prevailing on the world markets. Many other nations established similar policies. Consumption of wheat is relatively static from year to year and human beings consume little more when the price is low than they do when it is high.

Might I interject here that an





interesting comment to me was a statement in the report to the nation made by the President of the United States, I think it was a year ago this past spring or perhaps last spring, when he said that the wheat consumption of the people of the United States now is no higher than it was 40 years ago. Certainly that was an interesting statement to me, indicating that perhaps the eating habits of the nation had not changed, and that they eat more vegetables and meat than wheat. I suppose that helps the meat producers.

It is interesting to note that early in Canadian history, in the regime of Prime Minister Sir John A. Macdonald, European wheat importing nations were imposing tariffs against the threat of low-priced wheat imports from North America.

We find, too, that during that period of excessively low prices around 1932 and for months afterward, under these conditions I have spoken of, when many of our former buyers were protecting their growers against our cheap Canadian wheat, they were more concerned with the low price than they were usually concerned when prices were higher. It was not a question of protecting themselves against high price in wheat; it was mostly protecting their growers from ruin through low priced wheat from North America.



In the past five years our region has produced an average annual wheat crop of over 500 million bushels. That is 150 million bushels above the long-time average. Good weather conditions was the main reason for the large production. But other factors include the extensive mechanization of agriculture, the use of herbicides for weed destruction and chemicals for pest destruction, and the development of grain varieties which resist infections and others which are early ripening. Then there is the constant urge to produce to the limit, which increases as prices fall. Surely governments must assume a responsibility in providing some degree of protection in marketing. It was with that expectation that our wheat growers submitted to ceiling prices below value during and after world war II.

Might I say here that as a member of the negotiating committee that attended in London during the negotiation of the first world wheat agreement, I remember distinctly two days when we were in London that the market price in Chicago was \$3.10, while our price in Canada was \$1.55. So we think we have some basis for our suggestion that we should have some protection during a period of possibly ruinous prices.

I have gone to some length to give you some past history of grain marketing in this part of Canada. I have done so because the future of our major industry, grain growing, depends on



developments along that line. And the future of the prairie provinces is so wrapped up in this matter that I believe you must give grave consideration to it in your deliberations.

While our region was in poverty and depression during most of the 1930's, its contribution during the war years was of vital importance in assuring ultimate victory. Some 880,000,000 bushels of wheat were supplied to Great Britain and allies during world war II, and most of the immense quantities of other food products shipped to the mother country from Canada came from the prairie provinces. Such included over  $2\frac{1}{2}$  billion pounds of bacon and pork and 197 million pounds of beef, besides other agricultural products.

As an aid to eastern Canada and British Columbia to maintain their agriculture, some 36 million tons of feed grains have been shipped from the prairie provinces under the government freight assistance policy during the past 14 years. Without that supply being made available agriculture in those regions would have been depressed due to higher feed cost and competition from cheaper production areas. Food prices to industrial populations in those areas would have been much higher.

Looking to the future I am not despondent about our industry and our part in Canada. After all is said, food is the most





important product because mankind cannot live without it. If the prairie provinces were not an integral part of this dominion I believe Canada would be a much poorer nation.

Technological developments of all kinds, along with changing habits and thinking, indicate that agriculture must be prepared to agree in the not distant future that the wheat we market in even larger quantities than in past years may be produced by a lesser number of farmers, and while we may not need so many grain farmers we may very well find that a larger number will be required to furnish the food products needing more detailed attention or more cultivation.

A very definite possibility may be that some of our farm boys will decide to help supply Canada with fats and oils produced from soy beans and other oil producing seeds, rather than the system used by their fathers by way of the bale of hay and milk pail method.

During the next 50 years prairie acres will demand protection if we are to avoid dust bowl conditions on the huge expanse of open prairie stretching from the Rockies to the great lakes. We cannot rely entirely on commercial fertilizers for plant food. We will sow clovers to feed our soils and grasses to keep them at home.

Moderately priced fuels, along with the general development in all fields which goes



automatically with the building of a new country, will bring us increased industrial development; and with present-day techniques it will bring that development much faster than similar development came on the other side of the world.

I submit that food is the scarcest of all vital commodities in the entire world. There are too many hungry people for us in Canada, where food is in superabundance, to be complacent.

I believe that the top six inches of soil in the prairie provinces is the greatest asset Canada possesses, and that our region here in the west is destined to fill a place of increased importance in the economy of Canada and of the world in the long years ahead.

I thank you, sir.

THE CHAIRMAN: Thank you very much, Mr. Plumer.

MR. GRAUER: Mr. Plumer, on pages 8 and 9 you indicate that Mr. McFarland pointed out that short years would be necessary before the situation could be cured in regard to the collapse in prices of the thirties. Is it your opinion that some similar situation may exist now?

MR. PLUMER: That it can exist in the future, you mean?

MR. GRAUER: Yes.

MR. PLUMER: It can very easily happen. In 1937 Saskatchewan, with a sown acreage of



15 million acres, produced about 37.5 million bushels, or an average of  $2\frac{1}{2}$  bushels to the acre.

MR. GRAUER: Do you see any hope if we do not have short crop years for, say, five years?

MR. PLUMER: Well, I would hate to suggest that farmers are going to have to be starved off the land before we will have decreased production, but I certainly think that with the changing attitudes of our people nowadays, our farmers do not intend to plow and harrow on foot as they used to do. A great many of our boys and girls expect that farms will be mechanized and that their lives on the farms will be as happy as they are in the industrial sections. I am quite certain that if they are not, our boys and girls in large numbers are not going to stay there.

So, as I mention in my paper, I think there will be fewer farms growing grain. There will be more farmers, I think, growing meat products, a little higher priced food and a food which is bought in larger quantities when people have plenty of money.

With the conditions we have now, I do not think we will go back very far, and I do not think we will have the situation such as I saw in Ottawa a few years ago, when quite a large group of women took a papier mache cow





down the streets of Ottawa protesting against the high price of beef.

When people generally have, I will not say plenty of money but fair amounts of money; when they are able to earn fair amounts of money and when they are not so seriously pressed for money with which to buy food as they are when economic conditions are not so good, that situation does not arise. I think we are going to find that as western Canada gets older, we will have a more balanced agriculture. We are going to have more grasses and clovers grown to hold our soil and replace a lot of the material that has been taken out during the last 50 years, since it was first broken, to avoid the possibility of dust bowl conditions such as they had in the United States so badly, and of which we had a fair amount also.

So I think our production is going to be better balanced; and while we may not export any more than we have exported in years gone by, I think we will sell as much. We have found during the past five years especially, when it has been difficult to market our products, that we have been able to market fair amounts of grain, even with the competition we had to meet. I would say that was due largely to the quality of our grain.

We are now faced with a type of competition, as you gentlemen well know, which



it is almost impossible to meet. We have the ability of the United States treasury to subsidize their exports to any point they wish to send them. We have the United States with a larger population, and with all the other advantages as compared with our Canadian population and our ability to subsidize, even if we wanted to. We could not hope to enter any price war in trying to market Canadian grain.

We have not only found that it was difficult to market and export. We have even found it difficult to ship. I do not know whether I should suggest that our box car situation is inadequate, because I know orders have been placed for further supplies of cars; but it has been difficult enough to ship during the past year or two owing to the demand for box cars from all sections of our industry.

We have had, as you know, some very pointed suggestions made that our grain rates for export in western Canada are too low. Those rates are based on an action taken by the dominion government and maintained by that government for a very definite reason, as I state in my paper. That reason is that we have to meet long hauls to seaboard. If we had to pay the freight rates that are paid on other commodities for similar distances, our wheat could not begin to enter into competition with other wheat.



We have not felt that it was necessary for our grain rates to be raised to the point they may have reached across the United States border, for the reason that as yet we have not been convinced that our grain rates are not compensatory. We believe that with the type of country over which our grain is hauled, and the manner in which our grain is moved, with large, solid train loads of grain moving across the country, that our grain can be moved and is being moved certainly not at a loss, and that the railway companies are still making money on the operation of moving grain.

So we have both marketing and transportation problems, and we certainly hope that in your deliberations your commission will keep all these matters in mind.

We hope that in any comment you may make, you will appreciate the position of the western grain farmer, who for many years to come will have to carry on largely a grain operation, even though his grain growing areas may be operated not entirely as mixed farming operations, but with a fair amount of reseeding to grasses and clovers. We think we can afford to do that and still grow grain, because we have a type of grain that I think can be marketed, as it has been, in the face of competition from almost any part of the world.

MR. GRAUER: In your opinion, Mr.







Plumer, based upon your experience, is there any period of years during which you can say we are almost bound to have some bad years; or is that a wide open question?

MR. PLUMER: I would say there is no one who can make a prediction as to what our weather cycle may be. In my experience this is the first time that western Canada has ever had more than two large crops in succession. We had such crops in 1915 and 1916; we had them in 1927 and 1928. I think 1932 was largely a single large crop year. We had another large crop year in 1942, and then we started with this cycle which has carried on for the last five crop years, with a pretty big crop every year.

As you look at the world production for the last five years, practically every other country has had the same experience we have had. The production has been above normal. We have the machine techniques and the assistance that has been provided to many European countries and other countries under various plans, many of them being supported by the United States and Canada such as the Colombo plan operation and that sort of thing, whereby the production in these former wheat importing countries has been raised to the point where they are now in competition with us in trying to market their wheat.

So this difficult marketing condition



has been caused by a number of factors which it is not so simple to change, either, because you cannot take away from these people their tractors and plows and clutivators and binders. When I was in Britain in 1946 and 1947 it seemed to me that there were more new tractors and farm machines in the fields in Britain than there were in the fields of Alberta, most of them with brand names from the North American continent. So these conditions have been caused in part at least by a desire on the part of the wealthier nations to assist, as well as they could, people who had suffered more from the war than the North American continent had suffered, and who found themselves sometimes in pretty difficult circumstances. We wanted to help, and we did help; but we have found that it has caused some complications. We are trying to carry on in that situation, even though we find that some of the difficulty under which we have to suffer has been caused by our own actions, though certainly taken with the best intentions in the world.

MR. GRAUER: It has been suggested to us a couple of times that there should be some sort of social security system or provision for the wheat farmers; and the analogy has been used of the industrial workers, of course; that unemployment insurance does provide some security, largely by payments made by the employer and the



employee, the principle being that in good years this fund builds up and in bad years funds are paid out.

Do you see any scope or any field for such a system with respect to the wheat farmer?

MR. PLUMER: Well, certainly we -- and when I say "we" I think many of our farm people generally have recognized this condition, and we would like to avoid having too many of our young people move over to the other side because of this sort of income guarantee. But we do not believe we have a plan to suggest that we could expect to work yet.

MR. GRAUER: I notice that on page 12 you refer to the high wheat price years, during which the wheat growers took ceiling prices. I suppose there would be no assurance about enough of these high price wheat years, during which a fund might be built up to offset your low price years?

MR. PLUMER: I doubt whether it would be definite enough, or adequate, to accomplish what we would have in mind. Australia, as you know, has attempted to do something along that line by withholding something from the larger crops and something from the price, to hold up an average. We have done that to some extent through whatever contribution the dominion government has made to the wheat





farmers, in view of the fact that our wheat prices were very moderate during other years when other countries were exporting at higher prices. Right now those other countries are still exporting, and in fact there are only three countries in the world that have wheat prices anything like ours. Those countries are Australia, New Zealand and Canada. The rest of the countries all have prices of about \$2, with a very substantial government guarantee, in most cases, as you probably know.

MR. GRAUER: Thank you very much.

MR. PLUMER: I thank you, gentlemen.

THE CHAIRMAN: I have one question I would like to ask, Mr. Plumer. On page 12 you point out that while good weather conditions were the main reason for the large production, there are other factors which have to be taken into account, including extensive mechanization and the use of herbicides and chemicals, and the development of grain varieties that resist infection, and so on.

I gather you think that over a period there will be either a trend into more mixed farming, with greater production of meats, or a trend from the farms to the cities by younger people seeking industrial employment.

What I wanted to ask you was whether you think there should be any incentive or bonus arrangement to the farmers to reduce their



production of wheat. I am not talking so much in regard to the present surplus, because I do not think that is a problem which this commission should concern itself with. But we do have the question of periodic surplus conditions, and that is something we believe we should think about for the future.

MR. PLUMER: May I take the opportunity to suggest, sir, that we may get some interesting experience from the proposals that are being made south of the border just now, as to their immediate future.

May I illustrate one of the things I have in mind when I speak of the use of herbicides for weed destruction. My farm lands are at Bassano, which is in an irrigation block set up by the Canadian Pacific railway many years ago. I have one of the most westerly farms in the eastern section, and it is on the western edge, I would say, of the drybelt, the drough area, within Sir John Palliser's triangle that he set up many years ago, after he made his observations as to soil conditions and so on.

I have been growing crops there for the last 44 years, and have watched them grow. In many cases we had nice crops that came along early in the season. The crops grew to a nice height, until they could have been cut with a combine, such we use now; and then in 1914 we saw our first Russian thistle come into



the country. Where it came from I do not know, but it is a very rapid growing plant. If any of you men ever lived on a farm in the dry days you will know something about it.

I have grown hundreds and thousands of acres of pretty fair crops, which would be 8 or 10 bushels to the acre, with which we could have got by; but we did not get them.

Those crops grew probably 20 or 22 inches high, and we could have cut them with a combine; but those Russian thistles were coming up in the bottom. Before that would get ripe we would have a couple of showers, and the thistle would come up within probably 2 inches of the heads of the wheat, so that when we cut that wheat with a binder, as we did then, we had to cut some of the top of the Russian thistle in order to hold the wheat together, because the wheat was just like tooth picks, and you had to have some of this weed stuff to hold the bundles together.

Well, we tied them, and we dumped them off amongst a solid mass of Russian thistles as high as a binder cut, usually about 10 inches. These thistles were a solid mat over a 100 acre field or a section, or whatever it was, and those bundles fell on them and when you picked them up the bottom fell out, because they had shrunk so much, and a lot of the Russian thistles fell out and so did the wheat, so you had a hen's nest around every bundle.





Then you had your stooks put together, and the threshers came along with the bundle waggons, and men were picking up these bundles from the stooks, and every time they picked one up they lost some of the wheat. You could not pick them up with a fork, because it was like trying to pick up a mess of haywire.

So we lost about half our crop; say a 10 bushel crop was cut down to probably 4 or 5 bushels.

Nowadays we cut these crops with a combine. We go over the fields when these showers came along and these thistles are in the bottom. You do not notice them at the time particularly; they will be probably 4 or 5 inches high and they do not look very dangerous, but you go over them with wheat sprayers and you do not kill them but you paralyze them, and they kind of turn down; so as you cut that field with a combine you take off the heads and leave the thistles and save the wheat.

That is why I say we are not going to have the total failures that we have had in years gone by, when some farmers found themselves in the hole at the end of the year. It is that type of thing I have in mind when I suggest that we are not going to have the crop failures we have had in past years, when we did not have the tools to work with that we have now. If any of you gentlemen owned a farm in western Canada, you will



know what I am talking about.

THE CHAIRMAN: Thank you very much indeed.

MR. GRAUER: Might I ask just one question. On the subject of comparatively free marketing versus the controlled market, you quote quite extensively from Mr. McFarland. You do not say so specifically, but I take it that your pool supports comprehensive controlled marketing, such as is presently carried on. I think you say so quite specifically?

MR. PLUMER: We support absolutely the Canadian wheat board type of marketing as against speculative marketing that we had for so many years.

THE CHAIRMAN: Thank you very much, Mr. Plumer. We are very much obliged to you.

MR. PLUMER: I certainly wish you gentlemen all the best luck in the world. I know you have an arduous task to perform, and I hope your health and your patience last through the ordeal.

THE CHAIRMAN: Thank you very much; we will certainly need the luck and the patience.

MR. PLUMER: I would like to stay and listen to the rest of the session, but I have other fish to fry, as you know, so perhaps you will excuse me.



THE CHAIRMAN: Now, Dr. Gordon Burton.

MR. BURTON: Mr. Chairman and gentlemen, I should like to thank you very sincerely for the opportunity of appearing before you this morning; and I must apologize for the shape in which my brief appears. It really is not an appropriate document to place before such a distinguished group as this. My only excuse must be that every time I went to work on this, my cows demanded some attention; and I have learned that if I do not look after them, they are not likely to look after me.

I am somewhat at a loss for a title for the remarks I wish to make, but they are directed largely at the future of the livestock industry, and livestock marketing; and I should like first of all to draw a comparison between the method by which we are marketing grain in western Canada and the method by which we are marketing livestock.

As you gentlemen are well aware, we have a system of state trading for grain, a system in which grain entering into commercial channels must be sold to the Canadian wheat board at specified minimum prices. A one year pool is subsequently carried out, and any additional receipts received from the sale of that grain are prorated back to the people delivering it. On the export market the Canadian





wheat board sells grain for the best price available, and our export markets are literally all over the world.

When you turn to livestock, you find that we have an open market, where individuals compete with each other for the livestock, and thereby establish a price. Our export markets for livestock are very limited indeed, and they have dropped off during the past year, the reason being ~~that~~ the price we have received for livestock here in Canada is, I believe, at the moment the highest to be found anywhere in the world. The United States price has recently declined, which means that we are consuming almost all of the meat we produce, and price is equalizing supply and demand.

Incidentally, take lamb, for example. Our lamb is selling at from \$15 to \$16 at Calgary, live, which with a dressing percentage of 50 per cent means the lamb carcasses are selling at around 35 cents. Our packers can buy and are buying lamb carcasses in New Zealand for from 20 to 22 cents, and they can bring them in here at somewhere near 5 cents a pound, which means they can import lamb to undersell the domestic producer.

I think our grain marketing policy is having a pretty direct effect on the livestock industry. From reading the newspapers I know that several witnesses before your



commission have suggested that we should have a two-price system for grain; that is, with a price on the domestic market for the 60 million odd bushels which are sold for human food, which should be set at a level comparable with the prices of other products, whatever that may be, and that the increased returns would then be prorated back to the producer.

I suggest, gentlemen, that at the present time we do have a two-price system for grain. In the Claresholm area, I can buy No. 3 wheat for livestock feed for about 70 cents a bushel, and I believe the Canadian wheat board is offering that wheat on both the export and domestic markets at somewhere around \$1.70 a bushel.

The reason farmers will sell wheat for 70 cents a bushel is that there are rigid delivery quotas. They need cash, and they cannot sell their wheat to the elevators.

The effect this is having upon the livestock industry is to encourage grain farmers particularly to get into cattle and hogs. It offers a method of marketing their grain to better advantage, they consider, than selling it as grain. We now have record supplies of meat on both the United States and Canadian markets, both of which are very closely tied together. The tariffs are low, and the quotas are generous.

This cheap grain is having the



effect of boosting the production of livestock; and this fall it has created what I consider an unprecedented demand for stocker and feeder cattle. As a result of this demand, stemming from cheap feed, I believe the prices of this stocker and feeder cattle have been bid up out of line with the price of fat cattle; that is, out of line with the prices at which these feeder cattle will be sold when finished. If we had a futures market for livestock I think this would be an appropriate time to be on the short side.

Personally I have some reservations about this pricing policy for grain which results in this sort of thing happening. First, a very personal reason is that I produce, after all, cattle largely from roughage, grass and cover crop; so I am not able to fully take advantage of this cheap grain that is offered. Perhaps I am going to have to alter my programme in order to do so; but that is a minor consideration.

Second, I believe that this rush to livestock is going to break the cattle market. Since 1951 we have had a fairly stable market for cattle and lambs. As long as cattle hang around the 20 cent mark we can sell them; but with this very considerable expansion in feeding, and the fact that the United States market has declined, I believe we are going to see a substantial decline in cattle prices.





That leads me to my second point, and that is this. Farmers, having witnessed the success which has been achieved through collective action on the part of the labour unions, have come to the conclusion that perhaps collective action will do something for them; and Mr. Plumer has just stated that point of view as far as the wheat producers are concerned.

The livestock producers too would like some stability, and collective action seems a reasonable way to secure such stability. The way in which they hope to attain it, currently at least, is through the use of compulsory producer marketing boards.

I sympathize fully with the farmer's hope for some price stability for his products. I agree, too, that there is a very real problem here. When the steel workers succeed in getting an increase in wages, all that happens is that the producers of steel raise the price of their product enough to offset the increased wage bill. That increase in the price of steel is passed on to the fabricators of farm machinery, and so on to the farmer. He pays the shot as far as farm machinery is concerned, through either increased prices for the manufactured goods which he buys or through the durable consumer goods which, along with other consumers, he purchases.

These people who regard producer



marketing boards as essential point to the experience of the Canadian wheat board, and to the various fluid milk boards which are in existence across Canada, as analogies suggesting that because they have been successful, there is no reason why boards for livestock should not also be successful.

I suggest to you gentlemen that neither analogy will hold water. In the first instance, wheat, you are dealing with a commodity which is durable and which is capable of rather rigid standardization. When you buy No. 3 wheat you know what you are getting before you ever buy it.

If you take cattle as an example, first of all they certainly are not durable. You can get them into condition for market, but you cannot hold them there except at considerable cost; and in the case of hogs it is very difficult to hold them there, because they gain weight and pass out of the desirable weight ranges.

In the second place, these livestock products are not capable of being rigidly standardized. If you ask a professional livestock dealer to define a choice steer for you, he knows what a choice steer looks like to him in terms of the market for that animal, so he will have very great difficulty in defining it for you in such a way that you can recognize a choice steer



when you see one.

You may suggest that the carcass is capable of much more rigorous classification, and that is true. We do have a voluntary grading system for livestock; but it seems to me that if you are to sell cattle and sheep on the basis of carcass grading, you have created a problem of price determination comparable to that which we now have for hogs, and which I consider is much less competitive than the open market for live animals.

I think, therefore, that we do have two distinct problems as between the way in which we are marketing cattle and sheep, and the way in which we are marketing hogs. As you know, hogs are being sold on the basis of carcass grades, and not on the basis of the live hog.

I would like to return to that point in a little more detail later. Perhaps you will go back for a moment to this problem of fluid milk pricing. Here again you have a completely different set up than you have for cattle, because the quantities of fluid milk which you can sell are limited. A fluid milk board issues permits to producers, so that before you can deliver milk for fluid purpose, first of all you must have a permit. Second, the amount which they can sell for fluid use is prorated among permit holders, and then as a matter of equity





it is prorated seasonally, so that those who deliver milk in the winter are given the greater opportunity to deliver milk in the summer, when the cost of production is lower.

I do not think the staunchest adherents of compulsory marketing boards would suggest that we should have controls for the livestock industry which are comparable to the controls which are imposed upon the comparatively limited number of fluid milk producers.

So much for those two analogies. Now, where does this demand for compulsory producer marketing boards arise? I think the foundation is to be found in the fact that the marketing process for cattle is a highly complex one, together with the fact that many cattle come from farms where only a small number of cattle are kept. If you look at the census statistics you will find that half the farms in Alberta which keep cattle have 12 head or less. It simply is not a big enough enterprise for those producers to acquaint themselves with the method by which these livestock are priced. So for one thing you have lack of knowledge on the part of the people marketing cattle.

In the second place, after having had years of producing fat cattle, I realize that it takes a good deal of experience and knowledge to properly evaluate an animal in terms of the current market; that is, to evaluate its



worth. There are many factors involved. It is weight, first of all. Second, it is the degree of finishing and it is quality; and third it is yield. When a packer buyer buys live cattle, he is getting live cattle; but he is really interested in the kind of carcass which that live animal will yield; and when he looks at that animal in the arena he says to himself, what will the weight of the carcass be which that animal will yield?

There are wide variations there. A steer may yield anywhere from 50 per cent to 60 per cent; that is, the carcass will weigh 50 per cent to 60 per cent of the live weight. I pull out a figure at random here, but you might have a buyer who would pay \$20 for a particular live animal and still get the carcass for \$35 dressed weight, if the animal yielded 55 per cent. If that same steer, or a comparable one, only yielded 51 per cent, he could only pay \$17.90 in order to still get the carcass for \$35.

Two farmers sitting in a ring watching cattle sold may regard an animal which will dress 51 per cent, which is full of water and feed, as being better finished and fatter than another animal which is not carrying 75 pounds of water. The farmer may say this thing does not make sense; the fatter steer is selling for less than the less well finished steer, and if he owns the lower priced one he will think that



he has received an injustice. That sort of thing is very difficult to counteract, and it does lead to dissatisfaction.

I know the text book answers to some of the problems which are confronted in cattle marketing, but I am not sure that the text book is up to date, and I would not like to suggest that our livestock markets are just all they should be, and that we should just shrug aside any complaints as being those of crackpots and uninformed people, and go along the way we are.

I think there have been some substantial improvements in the method by which livestock marketing is conducted during the past 5 years, and I am sure there will be more improvements. I would hope that as we know more about this business of the marketing of livestock we might facilitate and speed up those improvements. I suppose sharp cattle breeders have bought cattle from farmers for less than they have been worth for hundreds of years, and I know the practice still goes on. I know that sometimes I am tempted myself to go into a farmer's field if I see a fat steer which we will say weighs 900 pounds -- and after some experience you can guess pretty closely what an animal will weigh. You know that on the market it will bring about 18 cents, so you multiply 9 by 18 and you get \$162. So you say to the farmer, "That is a fair kind of steer you have. Are you interested in selling?" The





farmer says, "Well, I might," and you say, "Well, how would \$125 catch you?" The farmer prides himself on being shrewd, too, and he says, "No, I want \$135." So it is not too hard to make \$30 right there, if they do not know what they are doing.

MR. GUSHUE: Is that what they call horse trading?

MR. BURTON: It is horse trading. The development which has eliminated much of this sort of thing is the development of the auction market. If you do not know what an animal is worth it is not a bad idea to sell him through an auction, where you have a number of buyers competing; and although the individual buyer will steal an animal if he can, when nobody knows about it, the fact that there are others there who know what it is worth and who are eager to make a dollar for themselves, prevents him from doing so. The community auctions in southern Alberta have enjoyed marked success in the last 10 years, and prices received there, particularly for stocker cattle, have been frequently higher than on the terminal markets. Recently the auction has been introduced at Calgary and at Winnipeg, and I believe to some extent at Toronto; and I think it will spread. I am not sure, again, that the auction meets all of the problems which come up, but I think it is a step in the right direction.



I do not want to go into the subject of a compulsory livestock marketing board in any detail, but I suggest to you gentlemen that if the price of livestock does decline, and since many responsible farm organizations in western Canada have set their hearts on compulsory producer livestock marketing boards, it is a subject of which we have not heard the last. The proponents of these boards want two things, I think; one, a higher price for livestock and two, a more stable price.

I think the price of livestock is derived from the price of meat, and it is determined by the supply of meat and the demand for meat on the part of the consumer, so you have to start with the housewife. Between the housewife on the one hand and the producer on the other lie the retailer, the packer and processor, the wholesaler of the livestock and the selling agencies. If you are going to get a higher price you might achieve it by a more efficient distribution of this meat product, or you might get it by reducing the margin which some of these people in the middle are taking; and I am in favour of doing it by either or both ways if it can be done.

As you know, at the present time the trading on these stockyards is regulated by the Canadian Department of Agriculture under the Livestock and Livestock Products Act. The charges



which marketing agencies may make -- that is the maximum charges -- must be approved by the Minister of Agriculture. It currently costs 85 cents over what they charge themselves per head to put a critter, a cow beast steer, through the market, and \$1.50 for commission, which includes 25 cents for auctioneering charges.

If it were not for the fact that I sell cattle through these auction markets I would suggest that perhaps these charges might be somewhat too high. You would be surprised at the unusual earnings of an auctioneer at one of these terminal markets. I would suggest that the auctioneer is really doing better than many of the fairly large and efficient producers. However, that is in the nature of a public utility, and as I say I think a marketing board has nothing to contribute to a solution of that kind of problem.

Turning to the question of a more stable price, the hog market is a good example of a market which fluctuates violently. It fluctuates over a cycle; it fluctuates seasonally, a type of fluctuation which I think is desirable, because it costs more to produce a fall crop of pigs than it does a spring crop; and it fluctuates from day to day.

The long run or cyclical fluctuations are largely due to a fluctuation in





herd numbers on farms. The farmers see a prospectively promising market for cattle or hogs, and they all jump in. Then the price goes down, and many of them jump out again. It is a bad sort of deal, but there again I think there is no easy solution.

These day to day fluctuations are discouraging to the livestock producer. I am not sure that they serve any useful purpose, except that apparently they are the result of this use of price to equate supply and demand.

Now we are getting close to the first week of December, and I will bet a dollar to a doughnut that when the packers begin to deliver the turkeys for the Christmas rush, which they will do about December 10, the price of fat steers will slump  $1\frac{1}{2}$  cents; and my only concern is that I will not have all mine sold by then.

I do not know to what extent this kind of problem can be solved, but I do think it warrants attention. Livestock producers have been looking with a somewhat jaundiced eye at the large profits of the packers, and it is true that some of our packing plants, because of efficient operation, make very large returns. On the other hand, when you spread those profits over the terrific volume of livestock they handle, I do not think that even if the producer received the whole of those profits it would make any great



difference in the prices he received for his cattle.

My suggestion is that if we are to take seriously the suggestion that a compulsory livestock marketing board be implemented for cattle and sheep, we should first look closely at the mechanics of marketing these cattle under a board. That, I think, is of the utmost importance. It would give us some basis for determining whether or not the prospective gains to be derived are worth the prospective costs involved. The proponents of boards will not or have not faced up to that issue. They say that is a bridge which we will cross when we come to it. I think that is a very important point.

There is another point with regard to which I have very marked reservations as far as these boards are concerned, and that is the powers which they consider to be necessary in order for them to operate at all. During the last year the government of the province of Alberta, I think reluctantly and as a result of pressure from farm groups, passed a marketing act. That, I think, is bill No. 15.

The regulations are very detailed. They include the power to confer upon a board the authority to regulate the quantity of livestock which a farmer may market; the place at which he may market it, and the time at which he may market



it; and it sets out all the other powers which are necessary to enforce that type of regulation.

Personally I believe we have enough government interference, and unless there are substantial gains to be derived therefrom I should be very careful about adding to it. I should be very reluctant to be found in a position where a board, even though it is elected by producers of whom I am one, has the power to examine your premises, to stop your vehicles carrying livestock and search them to determine where these livestock are going, to examine your books and so on.

There is one other point I should like to dwell on before I leave livestock marketing. I referred a moment ago to a difference in the way cattle are priced and the way hogs are priced. As you know, those hogs are killed and hung on the rail. They are graded by a government inspector before any return is made to the producer.

You may ask why that system is not applicable to cattle, why we should not have carcass grading for cattle, and this proposition has been kicked around for years. I think the great disadvantage of such a proposal is this; that when you sell a live animal you can bring it into the ring where you have your buyers assembled and they can compete with each other for that animal, with the highest bidder getting it. You take that animal to a packing plant and





kill it and put it on the rail, and the competition for its purchase is much less direct. The packer then has that animal; and packers are in business to make money. They are not going to pay any more for it, I think, than they need to in order to keep animals flowing to their plant. In other words I think you do diminish the effectiveness of your competition, and I should not be surprised that anyone who might be examining the livestock marketing would examine this proposition in some detail.

Perhaps we are not selling hogs in the way we should. I realize that this grading system has been built up in an effort to improve quality in connection with our hogs and enable us to compete better in the export markets. I think it has detracted from the effectiveness of the price-making mechanism, so you end up, as we are doing now, where you find packers bonusing truckers to deliver hogs to their plants, which means in effect that the hog is bringing a higher price from the packer than the farmer is getting with the trucker, who is in a position to divert hogs one way or the other, getting the difference.

Now I have just a couple of general comments on agricultural policy.

THE CHAIRMAN: Dr. Burton, we usually have a break at about this time in the



morning in order to give the reporter a chance to ease up for a moment or two. Is there much more of your presentation? I would not like to interrupt you if you have not much more to tell us, but if you are going on for perhaps 15 minutes or so we might take a break now.

MR. BURTON: I would be glad to have a break. I might be able to collect my own thoughts a little.

---Recess.

---After recess.

THE CHAIRMAN: Gentlemen, shall we come to order? Will you proceed, please, Dr. Burton?

MR. BURTON: May I add a concluding sentence to what I had to say about marketing boards. The crux of my objections to them lie in an examination of the mechanics under which the cattle would be marketed. I just do not think it can be organized in such a way as to achieve economies, to extort a higher price from the consumer, or to squeeze the processor. My objection is not primarily based on considerations of grading which I mentioned.

I should like also to add that in the Alberta act, cattle and sheep are excluded, so we are not in that fire yet, and proponents



of these schemes have ample opportunity to demonstrate their ability, since they have the power to set up boards for hogs, dairy products, poultry products, honey, vegetables and forage crop seeds, I believe.

Now, turning to a bit broader field for a moment, I come to the position of agriculture in the economy as a whole. Agriculture in Canada is an important industry, and will continue to be an important industry. I somewhat distrust those statements to the effect that agriculture is the basic industry. Agriculture is a declining industry, declining in the sense that the proportion of the population engaged in agriculture is going down. It is also a declining industry in the sense that the relative value of its output is declining; and it is an inefficient industry by and large, in that on an average it is only about half as productive as other industries. In other words, we have one-sixth of our gainfully employed people engaged in agriculture, and they are now producing somewhat less than one-twelfth of our total output.

I should not like to be understood as saying that all farms are inefficient. Far from it. Many of our farms are large and highly capitalized and very efficient. But what we have is a fringe, an economic fringe, of farmers constituting approximately one-third of the total,





who produce very little. I should say, though I have not examined the statistics recently, that this less productive third of our farmers produce approximately 10 per cent of the total output of farm products, and this in an economy in which labour is scarce and high priced.

I believe our agricultural policies should be directed toward the end of encouraging our less productive farmers to move into better paying jobs elsewhere. True, if they wish to farm it is their privilege to do so, but if they do wish to move out perhaps they should have an opportunity to do so. Of course the older farmers will not move, but if younger people could be persuaded to move I think the imbalance would correct itself in time.

I have referred to the high capitalization necessary to farm, and I think to an urban dweller the average investment in a commercial, efficient farm would seem fantastic. I know it has seemed so to me. Young farmers who wish to farm have a difficult time to put together the capital necessary to enable them to produce farm products at a cost which will enable them to stay in business.

I suggest to you gentlemen that the availability of long-term credit to beginning farmers, to enable them to establish a commercial farm which will pay its way, is worth consideration. It may seem contradictory to you that I suggest



first that we need a movement out of agriculture, and second that we need to provide capital for young people to farm. I do not think it is. Agriculture is going to continue, and young people are going to go into farming, and the two go along side by side. Farmers, like everybody else, have to be replaced occasionally.

I would like to second those briefs which have been placed before this commission which suggest that before we have any large expansion, either in total area under cultivation or in the general investments necessary to permit more intensive agriculture, we should look very carefully at the prospective markets. Technologically it is quite possible to make the desert bloom, but is it economically feasible?

May I conclude, then, by suggesting two specific points which seem to me worth consideration. The first is a rather detailed examination of livestock marketing. We have had a number of commissions which have investigated grain marketing. I believe there is perhaps some pay dirt in the field of livestock marketing as far as investigation is concerned.

My second suggestion is this matter of making available to beginning farmers adequate capital, adequate credit.

Thank you very much, gentlemen.

THE CHAIRMAN: Thank you very much, Dr. Burton. I have one or two questions



I would like to ask. You suggested that because of the provision of cheap grain for feed, the tendency would be for cattle prices and meat prices to fall. We have heard a good many suggestions right across the prairies that farmers should be encouraged to go out of grain farming into cattle raising, and I presume that would accentuate the trend which you suggest. How many more people can you accommodate in your end of the business?

MR. BURTON: Well, sir, I do not know the exact answer to that. I believe you are correct, in that we would probably have a better balanced agriculture if we had some livestock in the farm enterprises in some areas of the prairies. I think there are areas in Saskatchewan, the Regina plain, for instance, where livestock is just not an enterprise which fits well into the farm business. They are short of water. Land is high priced. It will probably, in the range of wheat prices we are likely to see, yield a larger return if seeded to grain than if used to grow grass for livestock.

There are other areas, such as the area from which I come, where land which is selling for \$100 an acre is being seeded to some extent to grass in order to get around this emergency grain marketing situation.

From the point of view of demand I think there is in progress a shift from cereals





to fruits, vegetables and meats on the part of people changing their dietary habits. But what I object to is this grain pricing policy which charges more for grain for food than it is worth, and charges less for grain for feed than it is worth. This accentuates this shift, and I fear will overdo it, with a consequent decline in cattle and hog prices. Everybody will get in; output will be boosted; the price will go down, and everybody will get out. Then we will have accentuated this cyclical fluctuation in price.

THE CHAIRMAN: You indicated that you would expect that the farm population would go down. How would you go about persuading or assisting farmers to move into other occupations?

MR. BURTON: I am afraid you are asking me big questions, but I think the place to start is with the young people.

THE CHAIRMAN: Just on the basis of persuasion?

MR. BURTON: Well, I do not think you should go out and say, "Look, you can do better elsewhere than you can on the farm." It is a matter of providing training and opportunities; perhaps bursaries to your universities and so on, provided the agricultural faculty does not get away over its head --

THE CHAIRMAN: You are not going to get too many off the farms if they have to go



through the universities first.

MR. BURTON: I do not think that is necessary. There is a continuous movement out into jobs other than professional.

MR. GUSHUE: There have been some fears expressed during some of our hearings about a surplus of livestock. How would you deal with that, presuming it did come about?

MR. BURTON: Well, sir, I find this problem of surpluses a difficult one for which to formulate solutions. I do not like production controls. Production controls for livestock are even more difficult than for grain, and the Americans have found that acreage limitations on grain are extremely difficult to administer and make effective.

I do not think the government of Canada is going to be able to enforce direct production limitations on livestock producers. We just do not operate in that way. I think the price mechanism, slow though it is and painful though it be to the people who are producing livestock, in the long run will be effective; and I sometimes think we do not pay enough attention to this price mechanism.

MR. STEWART: Dr. Burton, I could carry on a long discussion in the language of the text books on important issues. I do not propose to do that, but I am going to ask perhaps three questions.



In reference to this market which has appeared for wheat for feed, my question is, having in mind particularly the 1954 crop, would the situation not have been even worse under open market operations?

MR. BURTON: I presume by "open market operations" you mean the absence of a wheat board?

MR. STEWART: Yes.

MR. BURTON: Conceivably it could have been, and I am not suggesting or advocating that the wheat board should be abolished or should not be in operation. I certainly would not want to get into any off the cuff discussion of the operations of the wheat board. Certainly by stockpiling its grain it has tended to stabilize the price.

The point I was making is that by virtue of this two-price system it has encouraged feeders and farmers to feed a lot of this grain. My answer would be that if the wheat board had continued to stock pile grain but had adapted a pricing policy which would permit No. 2 wheat or No. 3 wheat to move into feed at the same price it moved into food uses we would have had a higher price for livestock feed and a lower price for wheat for food; and that by virtue of the feed price the sharp expansion in livestock output would not have occurred, or would not have occurred to the same extent.





MR. STEWART: All the representations we have had indicate that there is a great deal of wheat in this so-called surplus which is strictly not suitable for human consumption, and that the solution to the problem is to get that wheat moving into the channels of feed.

MR. BURTON: I agree; but you can buy No. 3 wheat fairly readily; and if the feeders could buy No. 5 wheat at 55 cents or No. 3 wheat at 70 cents, they would prefer the No. 3 wheat because it is better feed. I suggest that perhaps the pricing policy for wheat is not what it should be, if it permits that No. 3 wheat to go for feed as cheaply as it does.

MR. STEWART: My second point has to do with the competitive elements in the auction market, and in the direct sale to the plants. You have said, with qualifications, that the auction is a competitive market and, perhaps with some qualifications, that the other is monopolistic.

I do suggest that you can overstate the case both ways; that there are in fact definite limitations to the competition in the auction market, and that there is a certain element of competition, with a good information service, between the truckers and the farm. After all, conceivably this bonus could be passed on to the farmer, through competition between the truckers.



I take it there is no possibility of really making an objective comparison of those two methods?

MR. BURTON: No. I quite agree with you. I should state it as a personal observation that I believe competition is sharper in the auction ring than between plants. Obviously once a load of livestock goes to the plant and is unloaded, in the case of cattle before a dicker is made, the chances are that a deal will be made, and there is no other packer there to bid, whereas if you do it in the auction ring these cattle can go in half a dozen different ways; and I think there is some probability that you will get a higher price in the auction ring where the packer, to get them, must pay the top price.

I do not say for a moment that you have a monopolistic pricing situation when you deliver directly to a packing plant. I do not think that is true. On the other hand I would not like to say that competition is perfect in an auction ring. I know I have had cattle in the ring with three buyers competing for them, and while the auctioneer was busy selling them one of the buyers would go to the phone. A thing like that makes a difference to the price, I think; so it is not perfectly competitive. I would agree with your qualification.



MR. STEWART: I take it that your general position on the compulsory board is that if we could have a limited experiment on this, it would be useful?

MR. BURTON: I think so. I do not think anything that has been done so far constitutes an analogy, with the possible exception of the hog marketing board in Ontario. There the manager of the board can pick up the telephone and he can sell hogs over the telephone. He can say, "I have so many hogs which will dress B-1 and B-2" and so on, and they will negotiate a price on that basis.

If you had a marketing board for cattle and the manager picked up a telephone, how could he negotiate a price for those cattle? There are not the same standards in grading, and perhaps no two buyers will agree on what grade an animal will make. Even within the grades there are considerable variations in the value of an animal, depending upon the weight and so on.

I just never have been able to understand, myself, how you can sell cattle on a live basis except on an inspection of the individual animal; and if you are going to do that, can a board do it any cheaper than the method we are now using?

If they go further and say they are going to regulate the supply in order to hold





up the price, or perhaps restrict the supply, their undertaking becomes that much more ambitious, and I think even before an experiment is launched the thing should be analyzed on paper. You can do quite a lot with a pad and pencil before you ever get into this actual experiment, which after all involves products worth millions of dollars, and thousands of producers.

MR. STEWART: My last question has to do with this long-term credit suggestion. We have had previous representations on this point as well, particularly in reference to the Canadian farm loan board, that it just has not seemed to get credit out.

I presume basically the problem here is risk, and that if you had a considerable extension you would increase the risks, and that if you reduced the rate of interest probably you would lose on these operations in the long run.

In some cases, in pursuing the argument for further extension of long term credit, people have advocated some measure of supervision or some advisory service going along with it, and the analogy of the V.L.A. has been used.

The difficulty here, of course, is that that is another cost. It would probably reduce the risk, but would involve another element of cost. Would you in general think that would be a useful device, without perhaps all the cost of advisory services which would



have other implications than merely safeguarding the loans?

MR. BURTON: The government of Canada can make loans to farmers apart from the farm loan board. I have in mind the farm improvement loans and this new loan against stored wheat, in which they have preferred to use commercial institutions, the chartered banks. I have observed that United States banks frequently retain an agricultural specialist, and I wonder if there might be any possibility in that direction; that is, if these loans were made through the chartered banks, with a government guarantee, if the banks themselves, whose interest is vitally concerned, might not handle this supervisory function at a lower cost than the government could set up an independent agency.

That possibility has occurred to me. Supervision, I think, is desirable and would probably be required. If it could be done without creating another government agency I think it would be all to the good.

THE CHAIRMAN: Thank you very much, Dr. Burton. We are extremely grateful to you for coming before us, and we are particularly grateful for the contribution you have made.

MR. BURTON: Thank you very much, sir. It was a pleasure to come.



THE CHAIRMAN: Is Mr. Slen here, of the Lethbridge branch of the Agricultural Institute of Canada? We will mark your submission Exhibit 67.

MR. SLEN: Mr. Chairman and commissioners, before I start I would like to introduce these gentlemen who have come with me, Mr. Broughton, Mr. Peake and Mr. Jamieson.

THE CHAIRMAN: Thank you.

MR. SLEN: We appreciate the privilege of being able to submit this brief to you on the future agricultural development in southern Alberta.

Since the Alberta area was first settled, the growth and economic security of the province has been centered around agriculture. Judicious development of our agricultural resources has enriched our province and provided our farming population with a fruitful and happy life. Speaking for this industry, we feel agriculture will continue to be of first importance in the future development of this part of Canada. For these reasons we wish to bring before the royal commission some of our views on the economic future of Canada as it is concerned with agriculture in southern Alberta.

The great known natural resources and potential reserves of power in Alberta indicate that we can expect considerable industrial development. Our geography too, which discourages





shipment of bulky cheap materials, dictates an increasing manufacturing and processing industry near the source of raw materials. For these principal reasons, we expect and would encourage a great deal of industrial development in this province. However, future industrial growth should be planned so that industry and agriculture may both make their maximum contribution to the economic welfare of this country.

This is a relatively short brief, but we have three main points we would like to bring out. The first is in regard to industrial development; then there is a bit on irrigation development, and then we mention research.

In regard to industrial integration, as a basis for such growth, an integration of industry with agriculture would be most desirable. In nearly all cases products of the farm need further processing before going to the consumer; for example, vegetable canning, flour milling, sugar refining, and meat packing. Over the years there has been considerable development along these lines and agriculture would no doubt benefit from further expansion of this type of facility. Similarly there should be encouragement of processing facilities for some of our other renewable resources, forest products being one example.

As a subheading under "Integration"



we have "Land". Agricultural land is becoming increasingly valuable in the world at large; therefore, we consider it important that industrial plants be located, other things being equal, on land least studied to agricultural production. Similarly, industries that bring about extensive disruption or removal of soil should be in some way obligated to reclaim and revegetate their waste areas.

Now turning to labour for a moment, of grave concern to the agricultural industry is the provision of adequate and competent labour. At the present time, much labour is recruited from immigrant European families. Although some are trained in farming, others are recruited from various lines of industrial work and are of limited value to our farmers. Even those who are well suited find little encouragement to continue to serve in this field. Employment benefits such as medical, hospital, and unemployment insurance, which are so important to working people, are non-existent for agricultural labour. Only when these conditions are improved will we be able to encourage more competent farm help.

Turning for a moment to social problems, we have a way of life in southern Alberta that we feel we would like to hold on to, and in the further development of this province many of the evils which go with concentration



of industry should be avoided. Decentralization of new industry would help to minimize juvenile delinquency, slum development, drug traffic, and related social problems. Those industries which could supply winter employment would not only tend to lessen these problems but also would have a stabilizing effect in many agricultural areas, particularly those under irrigation. Small industries which could benefit from being located in smaller centres where school, hospital and utility services are already established also would be of assistance in avoiding these problems.

Irrigation. Concerning the future development of agriculture in Canada, much has been said about the need for additional irrigated lands. At the present time in Alberta, we are undergoing an extensive change from dry land to irrigated land in the area served by the St. Mary's river and the Bow river developments. While the mechanics of converting these lands for irrigation appear to be fairly well planned, there is need for adequate consideration of the type of farming to be undertaken, particularly the crops that could be grown and the availability of markets. It would appear from experience in the last few years that it will be increasingly difficult for farmers with small holdings to make a satisfactory living and consideration should be given to the size of farm unit adaptable in these new areas. It also would appear that further expansion of





irrigation systems should be limited to the demands of markets and in particular, domestic markets. It should be pointed out that crops grown on irrigated land do not, except in a minor way, come into competition with crops on dry land such as wheat. Further, since irrigation has stabilized agriculture in the dry areas of western Canada where it has been established, every effort should be made to develop markets for its products within Canada, especially where these products are now being imported, such as canned vegetables, also fruit and sugar and animal products.

Research. Our Canadian farm economy is a changing scene. We are an exporting nation so far as agriculture is concerned and probably will be for a long time. Whereas industry may depend on tariffs for protection, Canadian farmers can plan on long-term prosperity only if they can continually reduce their costs of production in order to compete favourably on the world's markets. We believe that continuing agricultural research and the training of research personnel will be absolutely necessary to this end and would encourage the extension of these facilities.

By reason of the foregoing discussion we strongly urge that all future development should be well planned and sound. Above all, we urge that no government subsidies or concessions should



be given to encourage industries which have a doubtful place in our economy.

THE CHAIRMAN: Thank you. In referring to the rate of extension of irrigation systems at the bottom of page 3, is your point that we should know that domestic markets are available before proceeding with irrigation schemes?

MR. SLEN: I think the experience has been -- and I will use horticulture as an illustration -- that some indication of the use of the product must be there before they have been able to go ahead; otherwise the farmer would be growing the material and could not sell it. Just as an illustration the tomato plant was pretty well established before there was any large tomato growing output in the Taber area. It is pretty hard to draw a straight line and say we must have either the plant or the industry there before we can go ahead.

THE CHAIRMAN: On page 4, carrying along with that, you say:

"--every effort should be made to develop markets for its products within Canada, especially where these products are now being imported --"

By that do you mean there should be a tariff against imported canned vegetables, and



so on?

MR. SLEN: No, I really do not think so.

THE CHAIRMAN: Or any other food products?

MR. BROUGHTON: May I comment on this. In writing this up and putting it in, we did not have any plan worked out as such. We realize that in our own district down there we have acreage coming under irrigation, and the technical knowledge is there to produce abundantly and profitably if we can sell the products therefrom in a profitable market. It is a question whether freight rate assistance would get us into markets which are now inaccessible, or maybe other measures could be taken. In other words, there is a bigger market in Canada for some of the products of the irrigation districts than we are able to reach economically at this time.

THE CHAIRMAN: You do say:

"-- every effort should be made to develop markets for its products within Canada, especially where those products are now being imported, such as canned vegetables and sugar and animal products."

In other parts of the country people





have said that they think there should be a tariff or a quota system imposed on the importation into Canada of certain agricultural products. If you do not mean that, I am not clear what you do mean. That is the question I am trying to ask you.

MR. SLEN: I am not too familiar with the bean industry, but I think we import something like 35 million pounds of beans, just as an illustration. They are now attempting to develop that industry in southern Alberta; I think our Canadian crop is 5 or 7 million pounds; and it is evident that we can produce them competitively.

It may be that a quota system would be of assistance to our people, but again there would be the problem of how far you could move that crop. Eastern Canada produces some beans, and whether or not we would be in competition with them is another thing.

THE CHAIRMAN: I am still not completely clear, but we will let it go.

MR. STEWART: May I follow that up for a moment, to see if I can get the answer to this question. Do you think we should go ahead with irrigation projects on the assumption that we are going to grow specialty crops and then, after we have got them, involve ourselves in some expense or our consumers in some cost in order to create a market? Is that a sensible



way to go at it?

MR. SLEN: It really is not. The vegetable canning industry is limited in the amount of production by how far they can move it and still compete economically. There is a large canning factory at Lethbridge, and they can only move their material approximately to Manitoba, because at that point the material is not able to compete with products from Ontario. So I think it depends on how far we can go. I think we can use some of that area for livestock production, not only specialty crops; and there is a tendency toward livestock production.

MR. PEAKE: Gentlemen, I am not quite clear on just where we are heading in this discussion, but Dr. Slen has pointed to this trend toward an increase in livestock production in so far as the irrigated pastures are concerned, and the expansion of irrigation into areas where previously our livestock production was not high.

There is little doubt from our observations that much of this new land coming under irrigation is going to go into a forage crop-livestock economy, perhaps not entirely divorced from the other livestock industry of the primary producer, but perhaps hand in hand, in which we will find an improvement in stocker animals in these new irrigated areas, being carried on in irrigated pastures and fed on hay and other feeds produced on our irrigated lands.



MR. STEWART: I think the question the chairman was getting at was really this. Should we wait to develop irrigation projects until there is a market which will absorb the products which will be grown on irrigated land, or is it your argument that we should go ahead and develop irrigation projects and then create the market by some means or other?

MR. JAMIESON: If I might say something to that, there is a factor we should keep in mind in reference to the area in southern Alberta at present under the ditch, where they have climatic conditions that will grow the special vegetable crops. Those acres are outside what is at present given over to contracts for sugar beets and so on. They have just moved up as far as Taber, and a little past. Those are acres that can produce the special crops.

You may talk about other irrigation areas that could be developed from the point of view of livestock and forage. They may not come under the climatic conditions suitable to grow special crops. You cannot get contracts in those areas yet, because the contracts are controlled by the present markets. It is conceivable that they could be made available in the near future; we have the land, and we may have the markets very soon, but we have a transition period in livestock while this population





matter or tariff rates or what have you makes it possible to increase the special crops in this climatic area.

MR. LUSSIER: You were mentioning the size of the farms. Have you any idea what should be the average size of those farms?

MR. SLEN: There is a problem. I am not an economist, and I do not want to get involved in this thing, because I cannot answer the question; but the average irrigated farm in southern Alberta is approximately a quarter section of land. Anything less than that is probably not an economic unit.

That is where one of the problems presumably is in irrigation farming, and it may be a problem in the other areas as well. When you get outside the immediate irrigated area into the dry land farming, a section and up to two sections as the average seems to be the right size.

MR. LUSSIER: I was speaking about the irrigated farms for intensive farming.

MR. SLEN: A quarter section.

MR. GUSHUE: You conclude your brief by saying:

"Above all, we urge that no government subsidies or concessions should be given to encourage industries which have a doubtful



place in our economy."

Have you any special class of industry in mind there?

MR. BROUGHTON: Well, sir, we have no special class of industry in mind here, but we did include this statement on behalf of our farmers.

At the moment, and for several years past, they have been plagued with the threat of the removal of the Crowsnest agreements on grain. They have established their wheat growing economy here on the basis of the Crowsnest agreements, and a removal of those agreements at this time would be very serious to the farmers.

We do not suggest for one moment that the building of the Canadian Pacific railway was anything but a very good thing for Canada; but on the other hand the deal that was made in that connection a long time ago is now facing a different situation. The railways need more revenue, and they suggest that it is time those rates were removed.

It is specifically matters of that nature, which can change things say 25 years hence, that we would like to see avoided.

THE CHAIRMAN: Thank you very much, gentlemen.



THE CHAIRMAN: The next submission will be by Mr. Charles Weir, on behalf of the Edmonton and Calgary metal workers, represented by the international union, mine, mill and smelter workers, which we will mark Exhibit 68.

MR. WEIR: My brief is quite short, and I hope I can read it with perhaps only an occasional comment in between if necessary; but I would like to preface it, if I may, by calling your attention to this morning's newspaper, the Albertan, at page 8. The following short item appears, dated from Montreal:

"Canada may have to import high priced steel from Europe next spring to overcome a critical shortage, industry's spokesman says here."

I would like to add that we in Alberta in the metal industry have already suffered from this situation. One-third of the steel plant with which we hold a union contract here is unemployed, entirely due to a shortage of steel, and may be so until after Christmas. Recently for over a month half of the Dominion Bridge plant local was laid off, due to the same reason, shortage of steel. Most of them have been called back in by now, but there are some still off; and if this shortage continues in other parts of the country, undoubtedly it will affect us here again.





Who knows how long they will be back at work until they are laid off again.

I feel that this situation points up the problem in a major way; and I shall deal with the matter in the brief.

Modern nations, our civilization itself, are economically based upon steel. The simplest criterion of the economic stage of development of modern countries, and of their strength or otherwise, is a comparison of their iron and steel production, including of course the quantity and quality of the finished goods, machinery and so on, produced from iron and steel.

Canada is in the most favourable position of probably any of the countries of the world in so far as our future possibilities in this regard are concerned. Of iron ore we possess more than our share of the known world supply. By that I mean our share compared to our geographical size, not our population size. Of the four sources of power for processing and smelting -- coal, gas, hydroelectric energy and oil -- presently in use, we possess an abundance far above that of countries which are today much greater steel producers. And when in time atomic energy may be harnessed as the power to use, we will be a favoured nation in that regard also.

Canadians are excellent workmen, craftsmen, metallurgists and scientists, if but given the opportunity to develop their talents.



So we have in Canada all the requisites for becoming a great producer of iron, steel and the products thereof, a producer who could easily become a competitor in the world markets in steel products, in addition to filling all our own requirements at home.

Tens of thousands of jobs for our citizens would be opened up, worth-while jobs at good wages. With the growing up of the finished steel goods industry on such a wider base it would soon mean hundreds of thousands of jobs, particularly when we take into consideration our equally favourable position in regard to most other minerals needed for alloys as well as our abundance of lime.

Such a development of our steel industry, and industries finishing goods based on steel is, in our opinion, not only possible and desirable but long overdue. Nor do we accept the usual cry of underpopulation as a legitimate answer against it. Once well launched on the road to becoming a great processing and finished goods industry country, the gates could and no doubt would be safely opened to immigration far wider than ever before in our history, and quite properly so.

If Canada were to embark upon such a path, that of becoming a major producer in the world of steel and its products, Alberta is favourably placed to participate in the benefits. We possess untouched deposits of iron ore in the



Peace river and in the Crowsnest pass. More will no doubt be discovered. We have the lime. Most important of all, we are particularly well supplied with available, and therefore relatively cheap, coal, oil and natural gas; nor are we unfavourably situated for water power and, eventually, atomic power.

The advantages of this are obvious when we remember that it takes 3 tons of coal to smelt 1 ton of iron ore, and that therefore even if our own iron ore were not to be used for any reason, we would still have an advantage transportationwise.

In the face of this possibility of Canada -- and Alberta -- seizing its destiny and becoming a leading power in iron, steel and their products, Canada in fact has been and remains not only not an exporter but actually a heavy importer of steel and its products.

After the completion of all the major expansion plans of Canada's steel companies, we are to stay set at the figure of approximately 5 million tons of steel capacity, which is two to three million tons below our present national consumption. Canada is paying out, mainly to the United States, about a billion and a half dollars annually for steel and steel products.

This unnatural state of affairs can only derive, in our opinion, from outside interference, in this case from the pressures







exerted upon Canada -- our government, our financial institutions and our steel industry itself -- by the giant United States steel monopolies in whose interest it certainly is that Canada should not develop into a competitor but should remain a customer. They acquire our best iron ores for next to nothing. They press hard for ever greater quantities of our power, gas, hydro, oil and uranium, all our power sources except coal. They attract away our scientists, technicians, metallurgists. Then they ship us back the finished steel goods, a billion and a half dollars worth a year, not counting the billions of dollars a year worth of steel which they export to other countries and use in their own land, produced from Canadian ore, power and so on.

The fact is that, based in no small part on Canadian resources, the United States, with a population about 11 times that of Canada, and without the natural advantages enumerated earlier for Canada, produces about 26 times as much iron, steel and steel products as we do in Canada, or nearly two and a half times as much per man, woman and child.

We therefore earnestly request your commission to make a study of this question, so basic to Canada's economic future. If you discover that Canada's interests therein are being deliberately distorted for the benefit of outside interests -- and a study of the number and



influence of United States citizens holding directorships on the main Canadian steel companies will no doubt lead you to just that discovery -- we request that you propose measures to cope with and overcome it. If the present Canadian steel companies, for example, are found by you to be unable to free themselves of this foreign influence, then a proposal for action by our government, including possibly even the establishment of publicly owned steel plants, would be in order.

Certainly we in Canada must use our great resources, human and natural, to become a leading steel producer, to fill our own national needs and become an exporter of steel and its products to the markets of the world. Lack of an internal market due to underpopulation cannot be seriously urged against it in this case, since we are a heavy importer.

We ask you, gentlemen, to also give consideration to a special and immediate problem concerning the metal industry's future in the prairie provinces and especially in Alberta.

The foundries and machine shops of Alberta were built up and grew on the repairing and maintenance of agricultural machinery and especially, for its stable base, grew on the supplying of the coal mining industry with its machinery and equipment. Whatever may be said



of the future of agriculture, it is at least obvious that for the present and immediate future, orders for coal mining equipment are very uncertain.

Since the large scale production of oil has largely replaced that of coal as Alberta's premier fuel industry, it could legitimately have been expected that the supplying of oil equipment would likewise have become the new and stable base of Alberta foundry and machine shop production, tens of millions of dollars worth of it. But whereas the coal mines were overwhelmingly Canadian owned and naturally tended to place their equipment orders locally, oil is equally overwhelmingly foreign owned, mainly in the United States, and the oil companies have long-established relations, very often outright subsidiaries, in the oil equipment producing field in their country. That is naturally where they place their orders. That they would do precisely that was made inevitable when, in the early days of oil exploration -- and perhaps properly enough for that period -- our national government allowed them the duty-free importation of all their equipment into Canada.

Whatever the justification for that action in the earlier period, that situation is now long past. These foreign-owned oil companies are reaping hundreds of millions of





dollars in profit from Alberta oil. It is now high time indeed that proper and adequate tariffs be instituted on the importation of oil equipment, and that thereby Alberta workmen and industries be given a fighting chance.

That concludes my presentation. I promised you that I would be brief.

MR. STEWART: I hope you will not find this question offensive, because it is not intended to be that at all, but it is a question of logical consistency if anything. Your brief has been urging an independent Canadian approach to this question.

MR. WEIR: Yes.

MR. STEWART: And avoiding entanglements and pressures from outside?

MR. WEIR: Yes.

MR. STEWART: Consistent with that, would one not support independent Canadian unions rather than international unions?

MR. WEIR: I do. Our union is the first in Canada to establish complete autonomy and control of all our affairs in Canada. As a matter of fact we are having a referendum to conclude that matter on the 29th of this month; that is a national referendum.

MR. STEWART: Then I have established your consistency.

THE CHAIRMAN: Thank you very much, Mr. Weir.



THE CHAIRMAN: Now we have Mr. Travers Smith, of the Cardston and district sheep bureau. We will mark your submission as Exhibit 69.

MR. SMITH: Mr. Gordon and gentlemen, our organization did not hear about this commission until just a while ago. We did not see your advertisement, but through your secretary we were honoured to come here and present our problems. We had prepared copies of this short brief for just the five members of your board.

To give you a brief summary of what we have tried to do, before starting on this brief, may I say that for the last two years the prices of our product have seemed to be depressed. We have asked our members of parliament who represent us in Ottawa, as well as our provincial members, to help us out in this situation, but we have not had very encouraging results.

This summer we met with Mr. Howe, the Minister of Trade and Commerce while he was here in Alberta. He encouraged us to this extent, by saying that if it could be proved that the importation of this product from New Zealand was affecting our problem here, they would look into it and probably do something about it. He said that had been done in the dairy industry.



Now I come to our brief which we have addressed to the Gordon economic commission, which is partly in the form of a resolution.

Whereas dressed lamb has been imported from New Zealand into Canada in large amounts with only one-half cent duty levied;

Whereas importation of New Zealand lamb into Canada comes at a time when feed lot lambs are moving to market, adding a very depressing effect to western Canadian market and grass fat lambs;

Whereas agriculture in western Canada has become a depressed industry and the condition mentioned above adds to this already difficult situation;

Therefore be it resolved that we, the Cardston and district sheepmen's association, request the government of the dominion of Canada to correct this situation, first by levying from 3 to 5 cents duty per pound on New Zealand lamb; second, by curtailing to 3 million pounds annually the imported lamb; third, by allowing imported lambs to be marketed only during the months of May and June. We feel that such action as suggested above will encourage and keep alive the sheep industry in Canada.

In reference to the third recommendation, if I may go back to it for a moment, we find that our grass fat lambs start





on the market in July, and come on the market from then until the feeder lambs start coming off the feed lots as fat lambs, and they carry on until April.

We have figures here to show that there has been a great decrease in the sheep population of Canada, due in large part to the economy of our setup along with problems that we have here in the west such as predator control and so on, though we have whipped the predator control situation in some parts. We are coming back slowly, though not as quickly as we went down.

Then I come to wool. Canada uses about 100 million pounds of wool each year, and produces about 10 million pounds. The final settlement for United States wool growers this year and last year was about 62 cents per pound for wool, while our Canadian wool price averages from 40 to 45 cents, and I do not think that is very conservative; it is plenty high. I have not the figures on that, but I feel the prices are lower.

The bulk of the wool imported comes from New Zealand and Australia, and we ask that duties be levied on these imports to protect the Canadian wool grower and give him a higher price.

Then attached to this copy of the brief which I will leave with the secretary



are market quotations for both Canada and the United States, and the cost of production for the two countries seems comparable.

That is our brief. We have a little information, if you would like to ask questions on it.

THE CHAIRMAN: If your industry were protected to the extent you suggest, by these tariffs, to what extent would you expect the industry to grow in Canada?

MR. SMITH: Well, it is coming back. We did not know too much about the business in general throughout the dominion, so we asked that information be sent to us from Ottawa.

According to the information which Mr. Pearsall, the director of marketing services, gave us, a few years ago Canada was a net exporter of lamb and lamb products -- not of wool, of course, but of lamb. In the last three years or so we have been a net importer, and in 1954 imports were equivalent to some 173,000 head, as compared with exports equivalent to about 3,000. So the net import would be about 170,000 head, which is a reversal of the situation which existed a few years ago.

As I say, the markets are not altogether responsible for the sheep business increasing. We had a lot of trouble here with predator control, but by scientific means we



have been able to overcome a great deal of that difficulty today. It was an uphill struggle to get that started.

Locally, and from reports we get from the marketing division in Ottawa, there is a gradual rise; but it has been very slow.

THE CHAIRMAN: Is most of the industry located here in Alberta?

MR. SMITH: British Columbia has some, and there are a few in the southern part of Saskatchewan. I have not the figures for Manitoba. I believe Ontario is down quite a bit, because we find they are importing a lot of lamb from the United States.

According to this statement I have here, the United States is sending lamb into Canada over a 6 cent duty, or \$2 per head on live lambs. They are whipping that 6 cent duty by sending in the live lambs, though under that duty in the last year they exported to Canada a considerable amount of lamb, but still we cannot get an equivalent price here in western Canada, and we cannot understand it.

We would like to have that question answered ourselves; why they can pay 6 cents on their lamb from the United States and bring it across the border, and we are sitting here and we cannot get an equivalent price for our lamb, even in eastern Canada.

MR. GRAUER: Would the freight





have anything to do with that?

MR. SMITH: I have not the figures on freight, except on cattle. To send calves from here to the east they felt it would take about a little over 4 cents to land them down there. But we have packing houses here that slaughter these lambs, and we wonder why they cannot take care of the lambs here and send them down east as carcasses, as New Zealand sends carcasses. They send them in here with only half a cent duty.

I may say that we have reports that they sell lamb which comes on the market from New Zealand at 39 cents in Vancouver, and we cannot touch that. The packers claim that when they buy our fat lambs at about 19 cents, which is about 16 cents for a feeder lamb, it costs them 54 cents in Vancouver, so there is quite a spread.

You will note that the lambs which come in from New Zealand are marketed at about the same time that the feed lot lambs come on the market, and they depress the price to the point where the feeder does not make enough to carry on.

This year the first efforts were made in our organization to control our lambs within the organization and sell them as a lot. We asked for bids, and they started at 14 cents.

In his letter to us, which was



received just before we sold our lambs, Mr. Pearsall made this statement:

"While undoubtedly the importation of lambs from the southern United States affects lamb prices in Canada, it would seem difficult to establish a cause for Canadian lamb prices being unduly depressed as long as they remain equivalent to or higher than lamb prices in the United States."

Along with the brief we have submitted market quotations from the Montana Stockman, and we also have Canadian prices. Our prices were around 13 to 14 cents for feeder lambs. In the United States, at the same time we were offered 14 and 15 cents, they were selling lambs on the range for  $16\frac{1}{2}$  and 17 cents in the middle of September, and for 17 cents at the first of October, so there is quite a spread. They have been doing that for the last two years, because that is the time the New Zealand lamb comes in.

MR. LUSSIER: Is there any difference in quality between the Australian and New Zealand wool and Canadian wool?

MR. SMITH: I did not quite understand that.



THE CHAIRMAN: Is the quality of Canadian wool as good as the Australian and New Zealand wool?

MR. SMITH: I understand it is not quite as good in general, though we have in Alberta a lot of sheep that are of the same breed you find in Australia and New Zealand. There are more of the ~~Corriedale~~ type of sheep they are using there, and the Rambouillet we are using here, which has a very fine wool. The merino type has a fine wool for clothing. I will admit that in general the imported wool is better.

MR. GRAUER: The same type of sheep and the same quality wool?

MR. SMITH: Well, I would not say that. Different climatic conditions tend to produce different qualities of wool. But we feel there is too much spread between prices, more than is warranted by quality. We also think Canada needs more sheep. It is the type of business that brings in pretty good money for the producer, and I believe a good many farmers could go into it. All up the mountains here we are trying to work into that. Our men are breeding for that purpose, to supply the small farmers with small flocks of sheep.

MR. STEWART: There have been marked fluctuations in the prices of sheep in Canada; they have gone up and down?





MR. SMITH: They have gone down considerably the last few years, and are coming back slowly.

MR. STEWART: How is that expansion and contraction effected; who goes out of sheep production and what do they do, and who comes back into it?

MR. SMITH: A few years ago, I would say about 10 years ago, especially here in Alberta, we had large flocks. Many of them had up to 8,000 head. Due to coyotes, bears and so on in the mountains, these men went out of business completely in our area. In small areas we have about 10,000 head of lambs. We sell 10,000 to 12,000, with about 200 members.

MR. STEWART: What are the people doing who went out of the business?

MR. SMITH: They have gone into cattle.

MR. STEWART: This is the point I am getting at, really; that cattle and sheep are competitive, and as long as cattle prices are high, people will raise cattle.

MR. SMITH: Well, we find that a lot of our people are going into sheep again, out of cattle, because we have controlled the predators. They took the profit out of it. One man with 40 head of sheep loses 15 lambs. Another man with 200 sheep loses 60 lambs to coyotes. He cannot afford it. Now we have that



controlled, and they are coming back into sheep in our areas. There are some areas that have not this predator control taken care of yet.

MR. STEWART: I am suggesting that if by means of import duties you increased the production of sheep, you would do that at the expense of the production of cattle?

MR. SMITH: Well, you might in some instances. That country will never carry very much livestock, it is true; but there is definitely more income from a flock of sheep for the money invested than from cattle, if we can control the predators. We would like to have a little support from the government along this line, so we are not beaten by the imports from another country.

The price of lamb is much lower here than the price of cattle. Our lambs only brought us \$15.60, that is for our feeder lambs, and we were only able to get that price after much dickering. Calves have been selling for 18 and 19 cents. Heifer calves are slightly lower, and I would say they would average about 17 cents.

MR. GUSHUE: Is that a normal condition, that the price of lamb is lower than the price of beef, over a period of years?

MR. SMITH: There have been times when lamb has been much higher than beef.

THE CHAIRMAN: Thank you very much,



Mr. Smith. I must say that I sympathize with your presentation. I have some sheep myself, and I hope you make more money on yours than I do.





THE CHAIRMAN: Now we will hear Mr. Hutchison, of the Calgary House Builders Association. We will mark your brief Exhibit 70.

MR. HUTCHISON: Mr. Gordon and gentlemen, first of all I would like to express the appreciation of the Calgary House Builders Association for being allowed to file our brief at such a late date. It was not until two days ago, I believe, that we managed to get in touch with Mr. LePan and tell him we would be appearing.

I am not going to ask your indulgence any further by reading the brief, in view of the limited time we have. However, there are one or two points which perhaps I can bring to your attention, and I know the brief we have filed will be given your consideration at a later time.

The house building industry in Calgary is of considerable size. During the current year it is estimated that there will be built approximately 2,500 single family dwelling units. The cost to the consumer will be approximately \$30 million, and the average number of persons employed in this industry is approximately 3,000 to 3,500, with an estimated payroll for this year of some \$10,500,000.

The house building industry in Calgary has been dependent to a large extent on Calgary's increasing population. I have heard it mentioned that there are people coming into



Calgary to build houses for people who are coming in to Calgary, and that vicious cycle, I am afraid, is in part true. The Calgary House Builders Association is concerned over the establishment of diversified industries in Calgary to take care of future demand for houses to be built.

There is another point I would like to make in this regard, which is related to the impossibility of the house builders to provide adequate housing for the average wage earner. The demand for houses, if such houses could be built, would far exceed the present demand and would take care of this anticipated decrease in the demand for housing. From the figures we have been able to obtain it would appear that the average wage earner in Calgary earns approximately \$3,100 a year. Those are figures which were supplied to us by the chamber of commerce, and I believe they obtained them from the Canada Gazette.

The average wage earner would, on such remuneration, be able to obtain a maximum mortgage under the National Housing Act, of \$7,500. That is allowing \$160 for city taxes. It has been the policy of the line company lending institutions in Calgary under the National Housing Act to restrict the lending of most loans to houses having a minimum square footage of 850. This 850 square foot house can



only be built at a cost of approximately \$8,500, and to this figure must be added the cost of providing land, which is averaging approximately \$1,500 per lot. The lowest cost house financed by the line company lending institutions is accordingly \$10,000.

The average worker, to purchase such a house, has his \$7,500 mortgage to work with, and has to make up the difference of \$2,500 for a down payment. It has been the experience of the Calgary house building industry that the average worker just does not have \$2,500 to put down on a house.

The average house being built in Calgary costs approximately \$11,500. The average loan is \$9,600; and to obtain a mortgage of \$9,600, the mortgagor must have an annual income of not less than \$4,050.

It appears to be an anomalous situation that the average wage earner must pay a down payment of \$600 higher than the average to obtain a house which costs \$1,500 less.

The Calgary House Builders Association has made several recommendations in this brief as to how the cost of housing may be decreased to open up this market to the average wage earner. The first recommendation deals with mortgage insurance. There is an insurance policy effected between the lending institution and Central Mortgage and Housing Corporation of





approximately 2 per cent of the loan value, which guarantees to the lending institution the repayment of the loan in case the mortgagor fails to meet his payments; that is putting the procedure very simply. This means an amount of \$188 on the average loan of \$9,600.

There are two alternatives which could be employed to reduce this mortgage premium. In the first place, it is presently deducted from the actual mortgage proceeds; in other words the contractor is getting that much less on his \$9,600 mortgage. The idea of the Calgary House Builders Association would be to have that mortgage premium, which is now paid in one lump sum, spread over the term of the loan in addition to the present mortgage payments, in other words make it an annual premium on this policy, and have the dominion government guarantee the repayment of the loans.

The second suggestion they put forward is the question of prepaid utilities. Utilities in the city of Calgary are prepaid on all new house developments; that is the curb, sidewalk, sewer, gravel road and that sort of thing. The mortgage companies are allowed, under Central Mortgage and Housing, to increase their loan by 70 per cent of the average cost of the utility. The average utilities cost \$1,100 in this city. If the lending institutions were allowed to increase the mortgage loan by 100 per



cent of the actual cost of the utilities, it would free some \$300, which in turn would reduce the price of the housing.

The last recommendation of the Calgary house builders in this regard is to encourage the development of smaller square footage houses. It is presently possible for the line companies to finance the construction of a house which would be available to the average wage earner, and which would have between 700 and 800 square feet, but the present line mortgage companies have felt that this is not an attractive proposition, although it is possible under the regulations of the Central Mortgage and Housing Act.

This in brief points out a few of the problems which have been raised by the Calgary House Builders Association, and I will not take up any more of the time of you gentlemen. I know you will read the brief, and if there are any questions resulting from it we would be pleased to have you direct them to my office, and I in turn will hand them over to the house builders association.

THE CHAIRMAN: Thank you very much, Mr. Hutchison.

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At 12:15 p.m. the commission adjourned.



The commission resumed at  
2:30 p.m.

THE CHAIRMAN: Well, gentlemen, let us come to order. The first item this afternoon is a presentation by Mr. Nielson, president of the Husky Oil company, which we will mark as Exhibit 71.

I may say, Mr. Nielson, that we appreciate very much the fact that you come here at some considerable inconvenience to give us the benefit of your thoughts and ideas, and we are looking forward to hearing your presentation.

MR. NIELSON: Thank you, Mr. Gordon. I did not realize until I arrived up here and had a chance to look at the newspapers how much interest was being shown in this commission and its activities. I must say that is more the case here than it has been with a great many commissions I have attended in the United States. Certainly to anyone interested in Canada and its future welfare the purposes and possibilities of this royal commission on Canada's economic prospects are most encouraging, and I consider it a privilege to appear before you.

I see by the reports that you have covered a great many subjects here, and I would like to limit my remarks to certain aspects of the petroleum industry, an industry which I am convinced, of course, is destined to play a rather important





role in Canada's future economy.

My personal experiences in Canada began a little over 50 years ago. I was born, raised, educated, married and we had three of our five children before we left the province of Alberta. Between 1928 and 1934 I farmed in southern Alberta from 500 to 1,000 acres each year and ran 2,000 sheep. To anyone who farmed or ranched during that period, I need say no more. To others I have often said that my education included agriculture and economics at the University of Alberta, but when the economics went out of agriculture I was forced into a different business. Thus it was more necessity than choice that caused me to leave Canada in 1934 to start over again in the United States. I have made these personal references only to explain my deep and sincere interest in Canada, its people and its prospects.

In 1938 I organized and started a small oil business in the United States which is now known as Husky Oil Company, and when we decided in 1946 to participate in Canada's oil development, I felt a great deal of satisfaction. To come back and see the difference in the economic conditions in Canada, compared to what they were during that period from 1928 to 1934, was a real satisfaction to me.

Young companies such as ours are normally not equipped to make long range economic



studies like those made by the older and larger companies, so I know there are others who have appeared or can appear before this commission who are much better qualified to report on the 5-10-20 year future of the oil industry. However, by reason of the problems and difficulties which accompanied the building of two small integrated oil companies, one in Canada and the other in the United States, I do feel qualified to comment on some Canadian laws and regulations that can and do seriously affect the economic prospects of the Canadian petroleum industry and consequently of Canada itself. I have no intention of posing as an expert with technical knowledge of these laws and regulations relating to income taxes and financing -- and if I did so I would soon be exposed -- but no management can be unaware of their practical application and make sound business decisions.

In my opinion the economic prospects of Canada will depend in large measure upon how well its petroleum resources are developed, and in that regard I would like to read the following statement with which I am in full accord:

"A country's oil resources are best developed when all who are engaged in petroleum operations -- its own nationals and those of foreign nations -- compete on equal terms. Favoured treatment of one



group at the expense of another, state monopolies, or state competition in any phase of oil retard maximum development.... Finding oil calls for the efforts of a great many people of different characteristics. Despite the development of scientific methods, a major factor in discovery is still a willingness of many individuals and competing industry units, exercising independent judgments, to take risks. The chances of finding oil are increased as more people are encouraged to accumulate and venture their capital on their own initiative. The participation of many....provides those multiple sources of initiative, imagination, and responsibility, out of which springs a great variety of discoveries and inventions, new ideas, and tremendous productivity."

In disregard of such a basic and sound approach for developing the Canadian petroleum industry, there have been many complaints that United States money has come to Canada and taken over the oil business. It is true that considerable United





States money has contributed to the rapid growth and development of oil and gas in Canada. Frankly, much of the progress of our Canadian company can be traced directly to the availability of certain United States capital which we frequently refer to as tax money. The Canadian laws and regulations which I wish to discuss do not discourage this kind of United States money, but they effectively block comparable Canadian money. I do not agree with Premier E.C. Manning's suggestion before this commission that it has been a lack of faith amongst Canadians which accounts for their relatively small participation in their country's oil development; rather, it is the tax provisions which are in their law. Strangely enough, it is the Canadian company and Canadian individual who are denied the opportunity to compete on equal terms with their United States counterparts. Usually if there is any favouritism at all, it is toward the nationals of the country in which they are operating.

With this unequal competition, it was only natural that vast sums of United States money came into Canada, and is playing such an important part in the oil economy. I would like to add that in my opinion, had it not been for this source of money the oil development picture in the west would have been set back many years. I would hesitate to say 10 to 15 years, because it takes a lot of capital in this business, as I point out. It was something easy for me to see seven or eight



years ago, not because of any great insight or discerning ability, but because I understood the prohibitive effect of certain Canadian income tax regulations on Canadian risk capital.

Possibly I could add there that in building our company from a very small beginning in 1938 in the United States, we took advantage of this type of money to help us in a lot of our early developments. We would take the initiative of getting the acreage and the different plays together. Then we would get in touch with someone in a high tax bracket to join with us and stand the major portion of the cost of drilling, settling with him for some lesser percentage interest.

By following that type of programme we were able to stretch our Husky dollars to two, three and sometimes four times what they might have been had we just carried along on our own. So when I found that situation here I was a little more conscious of it than I would have been otherwise.

I think United States capital will continue to play a major role in Canadian oil developments so long as so many sources of Canadian capital are economically precluded from participating. When our company was first planning to enter the Canadian oil picture, I expressed my feeling of concern at every opportunity to persons prominent in Canadian financial circles. Among them were Dr. W.C. Clark while deputy minister of finance, Graham F. Towers, governor of the Bank of



Canada, S.G. Dobson while president of the Royal Bank of Canada, and Donald Gordon who later became president of the C.N.R.

The first income tax provision I wish to discuss is the one which denies a Canadian individual or company the privilege of using his income before taxes to drill oil wells. In the United States we can deduct the intangible drilling cost of a well from our income. If we have an income of \$200,000 and the intangible drilling costs are \$100,000, our effective rate of taxation is \$100,000. A United States taxpayer may deduct such costs from his income regardless of the source of that income; he does not have to be in the oil business, as he does here, and the result is that the United States taxpayer is risking the equivalent of as little as 10 cents out of a dollar while the Canadian taxpayer is risking a full 100 cents. I do not mean that everybody in the United States is paying in the 90 per cent tax bracket, but there are a few, and those are the individuals who are quite interested. They play a very important part in the finding of oil.

THE CHAIRMAN: Have they played as important a part in the finding of oil here as they have in the United States?

MR. NIELSON: I think so, proportionately. A well that could produce oil might be very successful to the United States taxpayer because of his small





real cost, but it would not necessarily be so to the Canadian taxpayer who has a cost up to ten times greater.

Not only that, but for a Canadian individual to have any right to deduct oil exploration and drilling expenses, he must belong to a syndicate or partnership. And if he should be a member of two such oil syndicates, one with income and the other with excess deductions, he is not entitled to offset one against the other. That is kind of a rough deal too.

Another tax provision is the one which considers costs of acquiring acreage for oil and gas prospecting as capital expenditures. If, after considerable more money is spent in evaluating and testing -- I mean after the acquisition of the property in the beginning -- the acreage is worthless, the Canadian taxpayer must recoup his acquisition costs after he has paid his income taxes. There is no privilege of charging that to the costs of operations, which it seems to me is just a natural and reasonable approach to it. You go out and get your land. Then you have to do costly seismic work in evaluating it, and it is only a small percentage that really proves valuable, so there should be some means of charging off that cost when it does not prove up to have oil.

On the other hand, his United States competitor can recoup those costs out of his income



before he pays taxes. If the two taxpayers are companies, the economic result is obvious. The real cost to the United States company would be just about one-half of the cost to the Canadian company -- or, the United States company could afford to pay twice as much to acquire the acreage as the Canadian. The effect of such tax discrimination is not only ridiculous to me at least; it can and does have a detrimental result for a Canadian company trying to grow.

That is really important. Suppose in a given year a Canadian company raises \$200,000 for an oil venture, and a United States company, having other income in the United States, decides to spend \$200,000 in Canada in the same way. Or to make it even a little more comparable, let us suppose the two of them even join together and buy two blocks of acreage, each costing \$200,000. To simplify the example, someone else drills exploratory wells on the two blocks of acreage and one is worthless while the other is successful. The successful acreage produces \$50,000 of income for the two companies so that each is entitled to half. From the standpoint of hard economic fact, each company has lost a net \$75,000 for that year's effort; \$100,000 was lost in the worthless acreage and \$25,000 was gained from the other. Yet the Canadian company must pay taxes on its \$25,000 while the United States company, though paying Canadian taxes on its \$25,000, is entitled to



deduct from its other income the \$100,000 loss and the Canadian income taxes from its United States taxes on other income. Another way of expressing the same situation is that the Canadian company must secure twice as much income as the United States company in order to recoup that \$100,000 loss.

For a company to continue in the oil business, it must continuously acquire and evaluate new acreage. A young company must use a large amount of its income attempting to find additional production. If it doesn't, it eventually dies. Reasonably, it should be able to measure and plan its activity by the amount of its taxable income, but a Canadian company cannot afford to -- it must gauge its activity by its income remaining after taxes.

The next tax provision which is detrimental to the Canadian participant in oil development is the manner in which the depletion allowance is applied. In the United States, the allowance is applied separately to each producing property and the operator is consequently encouraged to use his income after the depletion allowance for further acquisitions, exploration and development. In fact, if he does not do so he is eventually out of business. However, in Canada, the depletion allowance is applied only after expenditures for further exploration and development so that there is actually little, if any, depletion





allowance. This is a real difficulty with a company that is active at all. This is a real deterrent to a small company looking for oil, and as a matter of pure economics, the Canadian company should quit once it has found some production.

That sounds like a ridiculous thing to say, that once you have found production and developed it, you should quit; but if you will take your pencil and figure out the cost where somebody has discovered a million barrels of oil reserve and where they are going to go on and keep producing it and look for more oil, versus selling it at that time, you will find that they would actually be better off to sell that oil than if they had produced it and paid taxes. Perhaps that is why there are many small Canadian companies not as active as they once were in what must be a never-ending search for new oil.

Another aspect of the depletion allowance -- and this has bothered us a lot -- is that in Canada there is no choice of method. The theory of percentage depletion is sound because it is based on very practical problems. Yet there should be the opportunity to choose what is termed cost depletion, which is a depletion allowance direction related to the taxpayer's actual cost in a property. The purpose of and the principle behind the allowance for depletion is similar to the allowance for depreciation. It is through the allowances for depletion and depreciation that a



taxpayer is supposed to be able to recover the cost of his assets which are producing income. However, the unavailability of cost depletion to a Canadian oil company results in a severe handicap. An example of that might be as follows:

It is entirely possible for one manufacturing company to have \$1 million invested in depreciable assets and another only \$200,000 -- yet each might earn \$100,000 per year before any allowance for depreciation. It would be most unreasonable and unfair to limit the depreciation allowance of each to some arbitrary percentage of its income. Yet that is how the depletion allowance is provided for Canadian oil companies. It is that situation which makes it difficult if not impossible for a small Canadian company to borrow funds to buy developed properties, and why it cannot compete in offering the going prices for properties put up for public sale. Without cost depletion, it is almost impossible for a young company to earn enough money after taxes to pay its debts and still grow. I have added this sentence here also. Many times our company up here has found desirable blocks of acreage and if it were subject to United States tax laws it could afford some of them. But up here it can't.

We have sat down more than once when we have had an opportunity to buy even a block of proven acreage and tried to evaluate it, to see how we could buy that property and pay it off after taxes,



and it just did not figure out very well.

With these income tax provisions handicapping any Canadian desiring to participate, it has been only natural for United States capital to play an important role in developing Canada's oil industry. I am not presenting a brief for United States capital. Possibly if I had not been born and raised in Canada I would not have had the same concern over this situation.

If I could just digress for a moment, when we entered the Canadian oil picture we did so by building a refinery at Lloydminster, because we were very limited in the amount of money we had, and we had hopes that we could make enough money from the refinery operation to allow us to get a foothold in the oil business.

We immediately started our programme something like we did in the United States, and acquired acreage. We got together some 4 million acres that we thought were quite desirable. I had an introduction to sources of Canadian capital that were very keenly interested, but found that they could not make any charge against their income from Canadian companies unless that was their major business.

So, after canvassing that situation for some period of time, we turned around and went to the Phillips Petroleum company, who entered the picture and picked up the big end of the cheque for a half interest in these properties, so we





were able to carry on.

The fact that a company such as Phillips Petroleum company would take a partnership with us in that acreage was evidence that it would have been a good play for Canadian people as well; but with their tax provisions the way they are at the present time they just could not possibly do it; and of course since that time I have never wasted any time taking propositions of that kind to anyone in Canada, but we have had lots of United States capital that has participated with us in various places on a similar basis to the one I have just mentioned, and personally I feel that this is a real handicap.

That is why I feel that I cannot agree with Premier Manning that it is a lack of faith by Canadians in Canada or in the oil picture that has prevented them from putting money into it. It is the natural result of a set of circumstances in which they could not do anything else, because we are pretty well governed by our laws and our regulations, and it has worked out, I think, to quite a handicap to any Canadian who desired to participate in this programme.

I cannot believe that Canadians generally are not just as venturesome, that they have not just as much faith in their country, or that they would not do anything they could to bolster its economy, as any other people would be.

I would like to deal now for a moment



with another problem we have had up here. I do not know whether you will recall from that introductory paragraph I read that it is necessary to get large aggregations of capital. Particularly is this so when you have the good fortune to find production on some tract of land in which you have quite a little acreage. Wells are very expensive to drill, sometimes, and when you find one that is productive as a rule it must repay far more than the cost of drilling, because there is such a large percentage of dry holes. So in the United States we have always followed a policy in our company that when we were fortunate enough to have a discovery, we would then work out some programme of first mortgage financing for that particular field. Usually you could make out arrangements so that every time you completed a successful well and it was properly evaluated, you could borrow the cost of the drilling, which would be repayable over a rather extended period.

Other laws and regulations shut off certain sources of capital to Canadian and non-Canadians alike. In this connection, Mr. Chairman, I have always felt that once oil is discovered and the reserves properly determined, an oil well and the production from it are better security for a long-term loan than is a building of brick and steel.

That is startling to a banker or to any individual who has not worked with oil; but



if you had worked with the insurance companies as I have been forced to do over the years we have been in business -- and the banks are even accustomed to that type of lending -- they will tell you they would rather have reserves in the ground as security for a loan than a building. Ultimately there will always be a market for oil. There has never been a barrel of oil discovered or a foot of gas for which there has not been a market sometime. The worst that can happen is that maybe there will not be a market temporarily. It will not be like a building, where you have your maintenance, your depreciation, your cost of upkeep and everything else. That oil will stay right there in mother earth's reservoir, where it has been these millions of years. It will not depreciate, and it will not run away. At the most it will cost a watchman's wages, but he can watch a large number of wells; and some day they will get their money.

The Chase bank, with whom we have dealt over the years, told me that in all the oil loans they have made, they have never lost any money. That speaks well for the evolution of the oil business itself, as well as the administration of the people at the head of it.

I am rather digressing here. But it may be many years before the investment in an oil or gas well is returned and, as I have indicated, it takes even longer for the Canadian operator.





Because of that delay, debt capital must be available which can be repaid over a period of time more related to the income producible from the well. In the United States, the lifeblood of the small oil producer is long-term mortgage loans, and it was that kind of capital that enabled our United States company to grow. However, at one stage in its growth I became so discouraged with short-term financing that I had made up my mind to sell out if we could not obtain at least a ten-year loan. Over a year of uncertainty passed during which I was constantly seeking a long-term loan. Finally the Chase National Bank in conjunction with an insurance company made us our first ten-year loan and I can honestly say that our United States company's real progress dated from that time.

Consequently it was a matter of serious concern to me when I learned that banks and insurance companies here in Canada were not only unfamiliar with 10 to 15 year loans secured by oil properties but that they were prohibited from making them.

It is true that capital from common stock financing is more available here in Canada than it is in the United States, but there are strict limitations on that. That is really a feature of the participation Canadians do have; that is, the availability of common stock financing. We are far ahead of the United States in that field,



in our experience. In the early period of a company, common stock money can be very expensive because it discounts value and potential more than any other kind of capital. We have also found that debenture financing is perhaps easier in Canada, but our experience has indicated that it is manufacturing properties, not oil properties, which adapt themselves to such financing.

The reason I say common stock financing is very expensive is that I have a philosophy something like this. For a small company to start to achieve some period of growth, it has to have some continuity of policy. It has to have some proprietary interest, you might say. It has to have some one or two individuals who are vitally interested. That is their main concern, their main business, and if that goes under they lose everything they have. If you cannot get this type of financing I am talking about with your first mortgage loans, you have no other choice except to dispose of a very material portion of common stock, which I believe in the long run causes a lack of that direction that is so necessary to get a young company started in a period of growth.

I firmly believe that the economic prospects of Canada's petroleum industry are practically unlimited, but by reason of present tax and financing laws and regulations Canadian



citizens and Canadian companies are both handicapped and limited. They should be able to take a bigger part in the development of their oil resources, but because of restrictions on their ability to use income, the unnatural treatment of costs of acquiring properties, the unrealistic and limited application of the depletion allowance, and the unjustified restrictions on certain sources of funds, they are handicapped in having to compete with foreigners on unequal terms. Without the full participation of Canadians, the entire development of Canada's petroleum industry will suffer.

In 1949 Dr. Joseph E. Pogue, a vice-president of the Chase National Bank, who really started the oil financing department for the Chase, and one of the world's leading oil economists, made an address before the Investment Dealers' Association of Canada in Toronto in which he said:

"Experience with oil developments throughout the world has demonstrated that four conditions are necessary to attain really important results. First, the source must be adequate. Second, conditions must be such as to attract a multiplicity of competing efforts, to stimulate the application of complicated and costly technologies, and to encourage the formation of the





necessary capital. Third, markets must be available or subject to development. And finally, the setting must be such as to inspire confidence for maintaining a continuity of effort."

I refer to Dr. Pogue because I think he played the most important part not only in the oil business in the United States but on a world scale as well, and he has had a very broad experience in the field of loaning and a broad experience in watching oil developments all over the world, and I feel that is a very pertinent statement which he made.

I am confident that the undiscovered oil and gas reserves in Canada are greater than will be estimated by even the most optimistic petroleum engineer or economist. I believe even the markets which are now lacking will be developed. The flow of capital into Canada shows clearly that an atmosphere of confidence exists which will maintain that necessary continuous effort. So a lot of the factors for a successful oil industry development are certainly here in Canada.

In the main, politics has stayed out of the oil business in Canada which is absolutely necessary in order to preserve that



atmosphere of confidence that is necessary for the free flow of capital. Capital is liquid, and it will flow any place where it can anticipate the best return, and I think there is plenty of confidence in Canada. Fortunately, there have not been many instances where political considerations rather than economic ones have influenced the industry's natural development.

There is no question in my mind but that Canada has before it a great and important future. I also realize that the petroleum industry in Canada is relatively new and it is only natural that the income tax and financing regulations have not been tested to the same extent as in the United States. In calling to your attention these adverse tax factors and financing impediments in Canada, I do so with the hope that these obstacles to the most efficient development of this great petroleum industry can be removed. Otherwise Canadians will not be allowed to compete on equal terms with others nor will they play their full part in the development of oil in Canada.

THE CHAIRMAN: Thank you, Mr. Nielson; that is certainly the clearest presentation of the tax picture we have had. If you were not so busy in the oil business I would like to persuade you to come into my kind of business. Certainly it is very clear, and we are most grateful to you.



We would like to ask you a question or two about markets for oil that may be developed here, if you would care to give us the benefit of your views on that subject. Do you think markets will be developed roughly in proportion to the discovery of oil?

MR. NIELSON: Yes, I think so. It will take time, as I made the statement while going through the paper. There is an old saying that there has never been a barrel of oil discovered for which ultimately there will not be a market, and I think that is true. It takes time sometimes, but your population is small in Canada comparable to the great acreage and extent of the country you have; but it is developing at a terrific pace.

Oil is a wasting asset, and it is becoming more and more costly to find oil in the United States. The depths to which we are drilling these days are depths that were undreamed of a few years ago, and the costs of finding oil are going up at an alarming rate. I cannot help but feel that over a period of time markets will be developed for the oil.

THE CHAIRMAN: There was some discussion yesterday as to what effects the proration system here may have on the role of the smaller companies. Would you care to express any views on that particular policy?

MR. NIELSON: I have been on both





sides of the fence on that question. I think there are times when the initiative and the resourcefulness of some one operator, a small operator let us say, through his own efforts, unhampered by regulations, may find a greater percentage of markets for his company than his neighbour. But if you take the effects on an over-all basis, and I think even for the small operator, I believe they are better off where there is a fair and equitable division of the market than they are otherwise. In fact some insurance companies will not even loan on oil in the United States unless there is some effective regulation which they think will assure a fair portion of the market to everyone.

So even though for the immediate present it might make some difficulty for the small operator, I believe over the long pull he is better off with a fair proration of the market.

THE CHAIRMAN: In Alberta it is our understanding that under the reservation system, while technically there is a restriction on any one person or any one company to two properties, of 100,000 acres each, in practice that is not applied; and that in practice, companies acquire a great deal more acreage than that. We were also given to understand that that was not necessarily the case in Saskatchewan.

Would you have any views as to



the desirability or otherwise of restricting the acreage any one company should have under reservation? In other words, is there any difficulty in acquiring more land for drilling purposes by new people coming into the field?

MR. NIELSON: In the early years it was quite easy, but now that the exploration and development has reached the present stage, yes, it is more difficult. But I think that is only a natural consequence. Anyone going into a newer country can always find acreage available after the programme has been under way for a few years.

I do not think I would care to comment particularly on the differences in the regulations as between the two provinces. One has one method and one the other.

MR. STEWART: My recollection, Mr. Nielson, is that your company has been, at least in the past, particularly concerned with the heavy oils. Is that correct?

MR. NIELSON: Yes.

MR. STEWART: Are there any particular problems related to that type of operation to which you would like to refer?

MR. NIELSON: How long does the commission have this afternoon?

MR. STEWART: I gathered that we wanted to hear you talk.

MR. NIELSON: There have been and



there still are quite a few problems in connection with the heavy oil; but our company in the United States, up until the last few years, has been essentially an operator handling heavy asphaltic oils, and we have rather specialized in that field.

It was that which caused us to receive an invitation to come to Lloydminster and build a plant when there was no market for those heavy oils. There are a lot of problems which are peculiar to that heavy oil that are not peculiar to some of the other oil operations. It does not cost as much to drill a well. It is rather hard to use some of the scientific methods for discovering these oils, because in such small pools, with such small differences in their structural factors, they do not show up too well to start with.

Then after you find the oil you have the problems of the desalting, dehydrating and descenting the oils, because in most cases the formations of oil and sand are so intermixed you produce them both, so your costs of producing the oil are higher. Then its viscosity is very high. I will not say it is impossible, but it is almost impossible to have any pipe-line that would be practical, so you have to haul it in trucks, and there is so much water in it we cannot buy it by the barrel so we have to buy it by the ton and then measure the water that is in the oil and deduct for the sand and water. Some of it is





now being dehydrated and descented in the fields, and we have had a lot of problems in connection with that.

Then the reserve per well has been a question of so much controversy. It certainly is not large; and the surprising thing to us has been the extent of the discoveries and the availability of the oil. There is undoubtedly a large amount of that oil in the neighbourhood, and once we get it into the plant it is certainly ideal for asphalt purposes.

We get some characteristics there that we cannot get in the United States, where we are operating, and which we think are very desirable. If you could tell us how fast this road programme is going ahead, we could probably give you some ideas on the possibilities.

MR. STEWART: I think that is quite sufficient, thank you very much.

MR. GUSHUE: Have you any observations on the tariff position as between Canada and the United States with regard to oil? I am referring to the customs tariff.

MR. NIELSON: I do not think I could express anything that might be very helpful to the commission, other than perhaps a general feeling that exists amongst the majority of oil people, which is one of very good feeling toward Canada. They regard Canada as something more nearly like another state, and they feel that



reserves in Canada, in the event of a war or an attack by other nations which might shut off foreign oil, would be available.

Whenever you hear tariff discussions there is always a disposition to discuss a preferential arrangement with Canada, even among the people who are objecting most strenuously to the imports of foreign oil.

MR. GUSHUE: What about the position of your Canadian company with regard to tariffs? Have you any views as to whether the tariff is a limiting factor, or is it just inconsequential?

MR. NIELSON: I do not think it is affecting us in any way, because our markets would be pretty well found within Canada, and I would hate to have our Canadian sales department functioning in the United States. It would not give us much chance down there. You gentlemen may not have met Mr. Knight, but he has quite a way of selling. If we had him in competition with our Wyoming company I do not think it would be fair.

THE CHAIRMAN: Well, thank you, Mr. Nielson. As I say, we are very grateful to you for coming here and giving us this presentation from a different angle of the problem, and in a very clear and helpful manner.

MR. NIELSON: Well, Mr. Gordon, I just want to say again that in the circumstances this was rather hurriedly put together. Our A.P.I. convention was in San Francisco at the



time of the Regina meeting, and I really did not have an opportunity to do the amount of work I would like to have done on a programme of this kind. If there is anything further in which we can be helpful to the commission, I will be glad to do anything further you desire.

THE CHAIRMAN: That is very kind of you, and we will remember that. Perhaps our staff will be in touch with your Canadian people if they need some help.





THE CHAIRMAN: Now, gentlemen, is Mr. Magnusson here from the Fogelvik farms? We will label your submission Exhibit 72. Will you proceed to present it to us?

MR. MAGNUSSON: Mr. Chairman, your secretary has given me fifteen minutes, and I guess the commission does not like to hear somebody read a brief. I would therefore like to use these few minutes to give you a little background about this brief.

With regard to subsidies, which I dealt with on page 1, in my view subsidies are all right as long as they are not permanent. They may help right at the moment, but agricultural subsidies when they become permanent do not help agriculture in the long run. True, farmers wish to have them because they themselves will benefit from them, and when they sell their farms that subsidy will be capitalized so the new farmer will have to pay more for the farm because of the subsidy.

By way of comparison, our land in central Alberta is worth \$75 an acre, and that is just about the amount it costs to break up that land. The same land in the United States costs today about \$400 an acre, because of the subsidy which the United States farmer receives. That has been run up during the last parity programme they have had. The result is that if they take that subsidy off today it will ruin a



generation of farmers.

With regard to food surpluses, a country like Japan, say, cannot buy if it cannot sell so it can get dollars. Otherwise they cannot buy food from us. If we try to sell our agricultural food surpluses, it is not only an agricultural problem; as I say here, the remedy is a lowering of the trade barriers not only in Canada but in the United States as well. They are perhaps tied in together on a dollar basis and on a business basis. We cannot do anything really permanent about it; therefore it is not only the agricultural policy of Canada but the increase in the population of Canada and the general trade policy of the United States and Canada which will solve the long-term marketing of Canadian agricultural production. As it is, we have to do the best we can with international wheat agreements and so on.

When we wish to sell more wheat than other people wish to buy, we have to have a better quality. That is the only thing we can sell on, because there is so much of it; and the trouble is that Canadian wheat is deteriorating. At a meeting with the milling chemists, held on September 9, it was stated that the average No. 1 Winnipeg northern today, from a baking standpoint, is no better than No. 2 or No. 3 before the war, and the main reason for this seems to be, for one thing, that the Canadian small bakers have



disappeared, and the Canadian big bakers are supplying just about all the bread. They are very much in need of high protein wheat, and they are selecting it in Canada and getting it.

At the same time, the Canadian farmer is not paid on the protein content; and those areas in the Palliser triangle which supplied a high protein wheat are being abandoned because they had a very low bushel yield. Even though the protein content was high, farmers are not paid for that content, so they are disappearing.

These farmers go up to the Peace river area, and there grow wheat on land where they get greater yields and a lower protein content.

There are one or two nations who know that if they buy Fort William wheat or Churchill wheat they will get good wheat, but if they buy Vancouver wheat they will get poor protein wheat. So they specify buying at these points, and it is very well known abroad.

In some of the countries abroad they have raised the quality of their own wheat by offering their farmers inducements to produce high protein wheat, and the farmers are paid accordingly. That is not done here, and the thinking is that we cannot sell the high protein because then we cannot get rid of the other wheat.

The only new thing I have to say





is that the farmer should be paid according to protein, but do not sell it on the protein; just have two grades, of milling quality wheat and feed wheat, which can be coloured by a special process, which means that if anybody tried to use it for bread there would be a red colour to it, though it would not be poisonous or anything of the kind.

Now I proceed to page 3 of my brief and deal with barley. In connection with that matter the point is that the barley improvement institute is now close to supplying our country with a pilot malting factory and a pilot brewery, in order to try out new varieties of barley. If a brewery should get a new brewmaster, he might have inherited the formula from his father. It must be just so, and nothing will be changed because that beer is just perfect as it is. Agriculture has a tendency to try something new, but the Canadian brewer is definitely inclined to keep things as they are. Therefore it would have been liked much better if those pilot plants had been operated by the government, just as the rust laboratory in Winnipeg is operated, and other things of that kind.

The Canadian grain trade should study types and qualities of barley which are desirable. We had an interesting experience in connection with this barley which it was found we could sell to Japan. The Canadian trade thought that was just the perfect barley for pearling, and



that it could be used for pearling in Japan, so we sold it there. Japan accepted it for years, because they could not get enough barley, until they suddenly came across a bit of feed barley. Then they said, "Now, we do not wish any more of this other barley; we wish your ordinary feed barley."

The reason is that the first barley had too big a kernel, so that when it was mixed with rice the barley stood out too prominently. They wished to have a uniform mixture; therefore the smaller six-row barley was just right for them.

In the meantime the Alberta farmers had been growing Compana barley, and it really amounted to something. It looked as though it were going places, when suddenly the market flopped.

The Canadian wheat board has invited a Japanese delegation to come here and tell us what they wish; but in my view, when you run a business you do not rely completely upon your complaints department. You make a survey right on the spot, to see what the consumer wishes.

I consider that the private export of wheat should be discouraged. That should not be so; even if I have a high protein wheat I myself should not be allowed to export it. That is completely right that I should not be allowed to do that. But I do not understand why the wheat



board is discouraging the private export of barley. The barriers set up to stop such export are ridiculous. If a private individual can place barley abroad at a high price, that should be a good thing for the country seen from every possible angle.

If any are interested in details on that, I can supply plenty, because I have been stopped from exporting, though I have finally managed to do it.

With regard to forage and lawn grass seed, northern Alberta and the Peace river region are in a very particular position in the world, in that we can produce both fodder and seeds, and are particularly adapted to do so. I give an example of the new type of thinking in regard to clovers. For those who are a little bit familiar with developments in regard to corn, we use the same method that is used to produce hybrid corn. In other words, the parent plants are grown in isolated areas, for example in Kentucky, where they use very much red clover, and then the seed is moved up from those plants to the Peace river district or to eastern Oregon. There the seed from the Kentucky parent plants can be grown as a mixture and, through natural cross-pollination produce a hybrid seed which then is free of the Kentucky diseases and at the same time has the hybrid nature, and we can send it back to Kentucky again. But when we try to





develop that sort of thing we find ourselves in trouble because of the fact that the Canadian seeds act is not up to par. A number of facts suggest that the Canadian Department of Agriculture discourages such informational seed growing programmes. We had a fresh example last summer, when Dr. Valle, Finland's most prominent plant breeder, was over here to investigate whether we could not produce seeds for their clovers. Due to their climate over there, they have to have clover for fodder and for other purposes, but generally they cannot grow the seed themselves. It had been sent over to Ottawa, and the idea was that we should produce that seed in the Peace river area, or in northern Alberta.

That clover was tested in Ottawa, and did not turn out to meet their specifications; but as Dr. Valle pointed out, he did not care if it did well in Ottawa; the question was, could we produce the seed somewhere in Canada, most likely in the Peace river area. Such a deal might not mean very much, but it could amount to about \$500,000 a year; and we might have 20 different types of these forage seeds. Some of them run up to perhaps \$15 million a year, and putting them together they could be just about as important as the wheat exports, if it is really run right. One of our own introductions, Merion blue grass, might within five years have had a value of \$20 million a year in Canada, of which only \$2 million



worth could be used in this country while the rest would be exported, mainly to the United States. But here again we run into the fact that Canada does not know what that is. I cannot get a tag on it saying it is blue grass; I cannot get a seed inspector to come and inspect that field; I cannot get him to look at the seed and say it is Merion blue grass, because according to the seeds act it is not Merion blue grass. Therefore it is not recognized by the officials who are in a position to see that all regulations under the seeds act are obeyed.

I have discussed these matters with them, and it is possible to circumvent the regulations under the Canadian seeds act. I do not like it, and it is not desirable but it is possible. You can see tags from a private foundation describing it as blue grass, which is not as good as if I could get a Canadian tag for the seed.

A very important agency in connection with Canadian seed production is an organization called the Canadian Seed Growers Association. This was founded by the man in charge of the government agency which handled seed problems, and he and his successors acted for many years as secretary of the organization. However, later on it was found on a strictly theoretically basis that a man should not be both in charge of the seed business for the government and have a private job in connection with a seed organization.



The result is that today each organization is so bound up in regulations tied to the other organization that for every-day decisions a tremendous amount of work is duplicated. Had it not been for the seed growers' association's tendency to be exclusive, more like an old-type guild, which by nature tries to cut down competition, I believe that either organization alone could have done a better and cheaper job for agriculture and the Canadian government.

There could be change there, if the government had all the responsibility for the seed business and the Canadian seed growers association was acting more on account of the growers, surveying new fields and establishing the Canadian growers' ability to produce special seeds, and to warn growers against the over-production of certain seeds. In 1954 we produced 10 million pounds of a particular seed, and in 1955 some 7 million pounds, when the Canadian demand was only perhaps half a million pounds or possibly it is up now to 2 million pounds. The rest of it had to be sent down into the United States, and there was very close to an embargo on it.

Canadian farmers should grow varieties which show such characteristics as to ensure the best possible crop. It should have no bearing whether the variety was developed by





a Canadian university, the experimental farm system, a private individual or a foreign country, as long as it is producing the best crop for the Canadian farmer.

I am there indulging in a mild protest over the fact that there is no private seed breeding institution in Canada. Neither is there in the United States, really. They have that in Europe, and there could be done in Canada.

The other point is that the breeder himself is not protected at all.

A considerable amount of bootlegging of seed is going on via recognized tests run by universities and other institutions even before the new variety is on the market. The new variety is practically out of the breeder's hands as soon as it hits the market. However, lately a way has been found to protect the breeder in a way which is hardly palatable. That is to register the new variety name as a trade name, which means that nothing can ever be sold under this trade name without the permission of the holder of the trade name. This gives too much protection to the plant breeder.

A just and practical way of protecting the plant breeder is used in Holland. As in Canada, the government agency there collects a fee when seed is sealed according to the seeds act. In Holland half of this fee is paid to the plant breeder who introduced the variety.



This would be a very good inducement for private plant breeding in Canada, if such a scheme could be adopted.

It is significant that the only private plant breeders' institutions of any importance in North America are the hybrid corn enterprises. The reason is that these organizations do not allow their parent stock to get out and consequently no bootlegging can be done. Therefore to get hold of it you just have to steal it, and apparently they are able to prevent that.

A similar system could be adopted in connection with hybrid clovers and hybrid grasses, thereby making it possible for a plant breeder to be employed in private industry or, if he so desired, to start an enterprise of his own. It is possible that this development will appear, as it did in connection with the hybrid corn. The breeding of cereals is so complicated that a private individual will hardly be able to break the government institution monopoly. They have their laboratories, their pathologists and so on, and the whole science service of Canada, so that today even if a private plant breeder would like to go into barley or wheat or anything of that nature on his own, that is not possible; and it is very well run as it is now.

With regard to livestock, we have a subsidy of about \$6 million a year which the



government pays for the top two grades of hogs. In my view that should not have been needed, on my basic idea that such subsidies in the long run are an evil thing for agriculture.

One of the reasons we have to have this inducement is that the Canadian housewife, when she buys bacon, cannot see whether she is getting the top grade of bacon or the lowest grade, except when it is too fat or something like that.

Hogs are generally sold according to government grades, of which the most important are A and B - 1. The price differential between these two grades was constant for about 10 years until April of 1954, when there was a slight increase. I have tried to get information as to who was responsible for this change, but to no avail.

This should not be so. It should be the supply and demand at the consumer level which decides the price spread for the qualities. But that cannot be done as long as the grading system does not go as far as the consumer. When a producer sells grade A and B eggs, this grading follows the eggs through the trade channels and reaches the consumer. Such information is not available to the housewife purchasing bacon.

If that had been the case, I am quite sure we would see a marked increase in the price spread between the top and lower grades of hogs. The Canadian meat industry is today





complaining about the decrease in Canadian hog quality. The main reason for the decline is that the Canadian hog producer makes less profit if he aims for a grade A hog than a B-1 hog. With a bigger spread it would pay to raise grade A hogs.

I submit that if quality is desired, and I am certain that it is essential, then the price paid by the processor should be in line with the actual retail value of the carcass. This can only be possible if, first, official government grading is in line with retail value and, second, if supply and demand at the consumer level are allowed to determine the price differential. At present the retailer does his best to sell all pork products as though they originated from grade A hogs, and indeed he may have to purchase on that basis from the packing plant. However, a housewife buying pork products packaged by a packing plant has only price differential, and perhaps not even that, to tell her whether she is buying bacon from a grade A hog or a ridgling. That is a hog which for one reason or another has not been castrated, and therefore there is a bad smell in the bacon.

With regard to the other problems in connection with the improvement of hogs, I can only say that we are 30 years behind the Danes in the development of our hogs. In other



respects we are 30 years behind the United States, and in other respects we are 4 years behind Holland.

Now I have to talk in a parable to explain a startling thing for those who may be familiar with agriculture. If this commission had been appointed 200 years ago in the old country, the members of the commission would have been Lord so and so and Lord so and so. Today it is a desire to serve that makes a man go places. In livestock we are exactly 200 years behind. We talk about the Royal Winter Fair and so on, and say how much good we do in that way; but if we could cast off the pedigree system and get right down to the animal itself, and say how does it milk and how does it produce and so on, all the rest of it does not matter so much. The genetics are so vague anyway that they really do not matter.

There is one little point for special consideration here. I do not wish to elaborate on it except for one reason. Suppose you are in charge of a government experimental station or you are in Ottawa in charge of a project there, and you have a long-range project and a certain amount of money to spend. Then money suddenly becomes available for quite a different project, which you really have not thought about at all. How are you going to spend it?



I really should not talk this way myself, because that has made it possible for me to hire away the top man from the experimental farm system. I have him.

Now, in connection with the breeding of livestock I have said this in the brief:

"Agricultural shows sponsored by federal and provincial governments serve very little use to modern agriculture. Shows served a good purpose in the era of agricultural development prior to the discovery and development of the science of genetics. Today they exist as anachronisms that tend to obscure the real accomplishments of agricultural science.

The world wheat king sometimes wins with a variety which is not recommended for growing anywhere in Canada, nor is it a representative sample of the wheat he grows."

The Canadian red spring wheat I have possesses all the best milling qualities, yet the superintendent of the Regina experimental





station said yesterday that it has never won any award at any seed fair. I think he was wrong; I believe it won at one time, but it means that we grow special wheat for other than show purposes, and the wheat grown for show purposes has no relation at all to the ordinary wheat. They use washing machines with which to polish it, and so on.

It has also happened that after a sow failed the advanced registry record of performance test, she was judged grand champion at a government-sponsored show. Beef cattle have won prizes that they could only get after they were surgically altered. A very strong point there is that scientific investigation strongly suggests that show standards have increased the occurrence of dwarfs in the beef cattle population.

The amount of government grants to shows is huge, but it is almost impossible to evaluate them, as they are often disguised as grants to so-called breeders' associations, which then turn over the same amount to the exhibition boards.

However, shows continue in popularity because we are steeped in show tradition and educated to accept them. Show news makes volumes of copy for our agricultural press. Our 4-H clubs base many of their activities on the ability to judge by show



standards. Shows will continue to be encouraged by town businessmen who profit from the influx of visitors at fair time.

Shows have a place in agriculture, but they should be used to promote better agriculture, not to glorify false standards. Is it not time to let shows support themselves without any further financial assistance from public funds?

THE CHAIRMAN: You would not suggest that they cut out the Calgary Stampede, I hope?

MR. MAGNUSSON: Yes, the government grant for it. Let a show go on by itself, but the government grant should be cut out. We have the Alberta Sheep Breeders' Association and the Alberta Cattle Association showing a grant received on one side of the statement, a government grant coming in, and showing it going out on the other side. It is paid to the Calgary Stampede in small amounts.

I have to apologize for this brief. It is not what I would have liked, but the reason is that a week ago I was in Ottawa and found that you had your hearing set down for this date in Calgary. I had to drive a new car home, and in South Dakota they said they simply did not like to have people on the road just at this time, so I did not get home until yesterday, and this brief was produced last night.



MR. STEWART: Mr. Magnusson, I feel very much disposed to agree with you on the matter of shows and the matter of our livestock breeding programme and other things. There is a great deal of detail here on the grading systems, with which I am not particularly familiar; and as we have not had a chance to read your brief beforehand, I would like to take it along and study it and follow up some of the points you have raised.

THE CHAIRMAN: Thank you very much, Mr. Magnusson. There is a brief to be filed on behalf of the property owners's association, and then we will adjourn.

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---At 4:05 p.m. the commission adjourned.

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